

Before the Independent Commissioners

In the Matter of the Resource Management Act 1991

And

In the Matter of the Proposed Canterbury Land and Water Regional
Plan

Evidence of Michael Campbell Copeland
on behalf of ANZCO Foods Limited,
CMP Canterbury Limited and
Five Star Beef Limited

Dated: 4 February 2013

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INTRODUCTION

Qualifications and experience

1. My name is Michael Campbell Copeland and I am a consulting economist. Currently I am joint managing director of Brown, Copeland and Company Limited, a firm of consulting economists which has undertaken a wide range of studies for public and private sector clients in New Zealand and overseas. During the period July 1990 to July 1994, I was a member of the Commerce Commission and between 2002 and 2008 I was a lay member of the High Court under the Commerce Act. Prior to establishing Brown, Copeland and Company Limited in 1982, I spent six years at the New Zealand Institute of Economic Research and three years at the Confederation of British Industry.
2. I hold a Bachelor of Science degree in mathematics and a Master of Commerce degree in economics. A summary of my curriculum vitae is attached as **Appendix 1**.
3. With respect to the Resource Management Act 1991 (**RMA**), I have prepared evidence for clients covering a number of development projects, plans and policies. A selection of these is listed in my curriculum vitae in Appendix 1.
4. In preparing my evidence I have reviewed:
 - 4.1 Data provided to me by ANZCO Foods Limited (**ANZCO**) on its operations in New Zealand and overseas;
 - 4.2 Data from Statistics New Zealand's website on population, employment and overseas trade; and
 - 4.3 The evidence of Mr Stephen Douglass and Mr Tim Ensor and the draft evidence of Mr Andy MacFarlane.
5. I have read the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note (updated 1 November 2011) and I agree to comply with it. My qualifications as an expert are set out above. I confirm that the issues addressed in this statement of evidence are within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed.

The Proposed Canterbury Land and Water Regional Plan

6. The Proposed Canterbury Land and Water Regional Plan (**PLWRP**) was notified late 2012 and ANZCO is seeking provisions that better recognise the economic significance of ANZCO's three Canterbury region operations, namely CMP Canterbury Limited's (**CMP's**) two meat processing plants: CMP Rakaia located in the Selwyn District and CMP Seafield located in the Ashburton District, and Five Star Beef Limited's (**FSB's**) beef feedlot, located 6 kilometres south of Wakanui in the Ashburton District.
7. At each of its two meat processing plants, CMP holds resource consents to take and use water, including associated bore permits, and to discharge wastewater and stormwater to land. Clean and secure water supply is essential for each of CMP's plants as is the ability to effectively dispose of wastewater generated through livestock processing and wash down activities. CMP is also totally reliant on its livestock suppliers, as they are on CMP. Therefore all aspects of the PLWRP that relate to or affect farming activities are also of relevance to CMP.
8. For its beef feedlot operation, FSB hold a range of resource consents including those to take or use water, discharge animal effluent to land and to discharge stormwater to land. FSB relies on the ability to discharge solid animal waste to land including that of neighbouring farms. FSB is also reliant on feed sources from surrounding farms. Therefore all aspects of the LWRP that relate to or affect farming activities are also of relevance to FSB.
9. My evidence reports on an assessment of the economic significance at the district, regional and national level of the CMP Rakaia and CMP Seafield meat processing plants, the FSB beef feedlot and ANZCO's head office activities in Christchurch and the economic costs that would arise if the PLWRP imposes additional constraints on these operations.

SCOPE OF EVIDENCE

10. In my evidence I will address:
 - 10.1 a consideration of the relevance of economic effects under the RMA;
 - 10.2 a description of the key economic drivers of the Canterbury regional economy and the Ashburton District economies;
 - 10.3 the economic significance of ANZCO's Canterbury operations; and

- 10.4 the economic costs that would arise from the PLWRP imposing additional constraints on ANZCO's Canterbury operations.

SUMMARY OF EVIDENCE

11. Community and economic wellbeing and the efficient use and development of natural and physical resources are relevant considerations under the RMA.
12. The key economic drivers of the Canterbury region are agriculture, manufacturing and tourism. The production and processing of livestock is an important part of the Canterbury regional economy and especially the Ashburton District economy.
13. The reliance of the Canterbury region's economy on the agricultural sector and agricultural product processing industries outside of Christchurch is clearly illustrated by the ongoing contribution of these key sectors following the 2010 and 2011 earthquakes.
14. ANZCO's core purpose is to procure, process and market New Zealand beef and lamb to domestic and overseas consumers. In the year ending 30 June 2012, ANZCO's total sales were \$1.21 billion, of which 94% were overseas export sales.
15. The New Zealand economy remains heavily dependent upon the agricultural sector and the export of agricultural commodities. In the year ending June 2012, meat and edible offal and raw hides, skins and leather and other animal originating products made up 13.1% of the value of New Zealand's commodity export trade.
16. Within the Ashburton District, ANZCO's operations are estimated to generate expenditure of almost \$400 million per annum, more than 2,600 jobs and wages and salaries of \$165 million per annum. Within the Canterbury region, ANZCO's operations are estimated to generate expenditure of almost \$700 million per annum, 3,000 jobs and \$190 million in wages and salaries.

17. The PLWRP has the potential to impact on ANZCO's activities within the Canterbury region. Unless relief is granted with respect to certain of the objectives, policies, definitions and rules of the PLWRP, significant ongoing economic benefits for the Canterbury region, and especially the Ashburton District, are at risk.

ECONOMICS AND THE RMA

Community Economic Wellbeing

18. Economic considerations are intertwined with the concept of the sustainable management of natural and physical resources, which is embodied in the RMA. In particular, Part 2 section 5(2) refers to enabling "*people and communities to provide for their ... economic ... well being*" as a part of the meaning of "*sustainable management*", the promotion of which is the purpose of the RMA.

Economic Efficiency

19. Part 2 section 7(b) of the RMA notes that in achieving the purpose of the Act, all persons "*shall have particular regard to ... the efficient use and development of natural and physical resources*" which includes the economic concept of efficiency¹. Economic efficiency can be defined as:

*"the effectiveness of resource allocation in the economy as a whole such that outputs of goods and services fully reflect consumer preferences for these goods and services as well as individual goods and services being produced at minimum cost through appropriate mixes of factor inputs"*².

20. More generally economic efficiency can be considered in terms of:
- a. Maximising the value of outputs divided by the cost of inputs;
 - b. Maximising the value of outputs for a given cost of inputs;
 - c. Minimising the cost of inputs for a given value of outputs;
 - d. Improving the utilisation of existing assets; and
 - e. Minimising waste.

¹ See, for example, in *Marlborough Ridge Ltd v Marlborough District Council* [1998] NZRMA 73, the Court noted that all aspects of efficiency are "*economic*" by definition because economics is about the use of resources generally.

² Pass, Christopher and Lowes, Bryan, 1993, *Collins Dictionary of Economics* (2nd edition), Harper Collins, page 148.

Viewpoint

21. An essential first step in assessing the economic significance of ANZCO's Canterbury operations is to define the appropriate viewpoint that is to be adopted. This helps to define which economic effects are relevant to the analysis. In this case it is appropriate to consider district, regional and national perspectives.
22. ANZCO's CMP Seafeld meat processing plant and FSB beef feedlot are both located within the Ashburton District, whilst its CMP Rakaia meat processing plant is just to the north of the Rakaia River in the southern part of the Selwyn District. It is also significantly smaller (less than 10% in total annual sales) than the CMP Seafeld plant. Therefore in my evidence, the district level economic effects are considered for the Ashburton District.

THE ASHBURTON DISTRICT AND CANTERBURY REGIONAL ECONOMIES

Ashburton District Economy

23. Statistics New Zealand's June 2012 population estimate for the Ashburton District is 30,600 or 5.4% of Canterbury's population and 0.7% of New Zealand's total population. In 2006 the population in the Ashburton District was 28,000 persons, which represented 5.2% of Canterbury's population. The Ashburton District's population over the period 2006 to 2012 has grown by 9.3%, as compared to growth of 3.5% for the Canterbury region and 5.9% for New Zealand as whole. Part of the faster growth in Ashburton's population in recent years has been the relocation of Christchurch residents after the 2010 and 2011 earthquakes.
24. Statistics New Zealand's 'medium' population projections³ have Ashburton's population increasing at an average rate of 0.5% per annum over the period 2012-31, compared to an average rate of growth for the Canterbury region and New Zealand of 0.8% per annum.
25. Employment data highlights the dependence of the Ashburton District economy on agriculture and agricultural product processing. In October 2012, 3,310 jobs (21.9%) of Ashburton's 15,090 jobs were in the

³ Statistics New Zealand prepare three sets of projections – high, medium and low – according to natural population change (i.e. the net effect of birth and death rate assumptions) and net migration assumptions. These projections do not explicitly incorporate assumptions about different rates of economic development. Also the projections have not been updated since the Christchurch City earthquakes.

agriculture, forestry and fishing industry group, with most (an estimated 3,290 jobs or 99%) being agricultural jobs. The manufacturing sector accounted for 2,910 jobs or 19.2% of total employment, with 2,060 jobs in food manufacturing), and of this meat and meat product manufacturing engaging 1,660 persons. Other important sectors are retail trade (1,560 jobs or 10.3% of total employment), construction (1070 jobs or 7.1% of total employment), health care and social assistance (950 jobs or 6.3% of all jobs), and accommodation and food services (800 jobs or 5.3% of total employment).

26. Apart from tourism which accounts for some but not all⁴ of the jobs created in the retail trade and accommodation and food services sectors, the key economic drivers of the Ashburton District economy are agriculture and agricultural product processing (and in particular meat and meat products manufacturing). Employment in other sectors is to a large extent driven by the demand for goods and services by these industries and their employees with the so called "multiplier" effects⁵ creating additional jobs for the District's economy.

The Canterbury Regional Economy

27. Statistics New Zealand's June 2012 population estimate for the Canterbury region is 558,800 or 12.6% of New Zealand's total population. It is the second largest region in New Zealand in terms of population. The Canterbury region's population is estimated to have declined between June 2010 and June 2012 by 1.2% due to Christchurch City's population falling by 13,600 (3.6%) after the earthquakes and only some of the consequent out-migration relocating to neighbouring districts within the Canterbury region. Statistics New Zealand's 'medium' population projections have Canterbury's population growing at an average rate of 0.8% per annum over the period 2001-31, the same as the average rate of growth projected for New Zealand as a whole.
28. Statistics New Zealand estimate total employment in the Canterbury region in October 2012 at 256,570, which represents 13.3% of the total persons employed in New Zealand. The agriculture, forestry and fishing industry

⁴ Employment in tourism is difficult to identify from official statistics since the relevant sectors such as retail trade and accommodation and food services for which data is collected meet the needs of domestic and international visitors, business travellers and local residents and businesses.

⁵ These are discussed in greater detail in the next section of my evidence.

group employed 14,360 persons of which approximately⁶ 13,520 were engaged in agriculture. Other significant sectors are manufacturing employing 33,650 (of which the most significant subsectors are food products manufacture (11,370)⁷, health care and social assistance (29,100), retail trade (26,990), education and training (20,680), construction (20,420), professional, scientific and technical services (16,390) and accommodation and food services (16,320).

29. Future employment growth and associated economic well being for the Canterbury region is likely to be largely associated with the three key economic drivers of agriculture, manufacturing (including agricultural product processing) and tourism, although in the short to medium term at least, disruptions due to the 2010 and particularly 2011 earthquakes in and around Christchurch City will impede tourism growth. Also in the short to medium term construction activity associated with the Christchurch City rebuild will provide an economic stimulus for the region.
30. Employment in other sectors is to a large extent driven by the demand for goods and services by agriculture, manufacturing and tourism and their employees with the so called "multiplier" effects creating additional jobs for the region's economy.
31. The reliance of the Canterbury region's economy on the agricultural sector and agricultural product processing capacity outside of Christchurch is clearly illustrated by the ongoing contribution of these key sectors following the 2010 and 2011 earthquakes. In the year ending 30 June 2011 Lyttelton Port (the largest port in the South Island and the third largest in New Zealand) moved 9.6 million tonnes of cargo, only slightly down from the 9.8 million tonnes moved in the previous year despite the disruptions caused by the earthquakes.⁸ With respect to the container trade which includes exports of meat and other animal products, 290,842 twenty-foot container equivalent units (TEUs) were moved through the Lyttelton Port, an increase of 6.2% on the previous year. This has further increased by 15.6% to 336,182 TEUs for the 2011/12 financial year. Fertilizer imports at the port in 2011/12 increased by 9.8%.⁹

⁶ Equates to the sum of agriculture and agriculture and fishing support services industry groups. Because fishing is not a significant industry group for the Canterbury region most of the agriculture and fishing industry support workers will be in the agricultural sector.

⁷ Including meat and meat products (5,200), dairy products (1,220) and seafood (1,130).

⁸ Data from 2011 Annual Report for Lyttelton Port.

⁹ Data from 2012 Annual Report for Lyttelton Port.

32. In the year ending 30 June 2011, cargo moved through PrimePort (Timaru) also increased over the previous year tonnages. Non-containerised cargo handled through the port was the equivalent of 989,000 tonnes, 108,000 tonnes up on the previous year. Containers handled through the port increased from 44,800 TEUs to 49,100 TEUs.¹⁰ In 2011/12 non-containerised trade fell by 6% and containers handled through the port by 67%, largely reflecting the re-direction of a number of trades to Lyttleton.¹¹ However the combined trades for Lyttleton and Timaru ports still showed overall growth in 2011/12.
33. This data on port tonnages and container movements highlights that Canterbury's farming and agricultural product processing industries in the region's rural and provincial areas (including ANZCO's three activities within the Ashburton and Selwyn Districts) have helped sustain the Canterbury region's economy in the face of significant disruption to businesses and residents within metropolitan Christchurch as a result of the 2010 and 2011 earthquakes.

THE ECONOMIC SIGNIFICANCE OF ANZCO'S CANTERBURY OPERATIONS¹²

ANZCO's National and International Operations

34. ANZCO is a multinational group of companies, whose core purpose is to procure, process and market New Zealand beef and lamb to domestic and overseas consumers. In the year ending 30 June 2012, ANZCO's total sales were \$1.21 billion, of which 94% were overseas export sales, ANZCO employed 2,880 staff worldwide and 2,810 of these staff were located in New Zealand. Wages and salaries paid to New Zealand employees totalled \$149.1 million.
35. Although the New Zealand economy has diversified with growth in non-agricultural industries, it remains heavily dependent upon the agricultural sector and the export of agricultural commodities. In the year ending June 2012, meat and edible offal and raw hides, skins and leather and other animal originating products¹³ made up 13.1% of the value of New Zealand's

¹⁰ Data from 2011 Annual Report for PrimePort.

¹¹ Data taken from 2012 Annual Report for PrimePort.

¹² Unless stated otherwise, data in this section of my evidence provided by ANZCO.

¹³ Excludes meat preparations and animal oils.

commodity¹⁴ export trade, second only to dairy product exports¹⁵ which made up 26.7%.

36. Merchandise trade enables New Zealand to specialise in the production of certain products in which New Zealand has a comparative advantage enabling production surplus to domestic consumption to be exported. The production of meat and other animal products is an area in which New Zealand has comparative advantage. Exports of these products provide foreign exchange, enabling New Zealand to finance the purchase of competitively priced imported goods and services.
37. The alternative model of "fortress New Zealand"¹⁶ would see higher priced goods and services, reduced choice in the range of goods and services available in New Zealand and a less efficient use of our physical and natural resources. This would result in lower incomes and a lower standard of living for New Zealanders.
38. New Zealand's reliance on overseas trade is highlighted by the total volume of containers (which are used to ship meat and other animal product exports) handled across all New Zealand ports representing almost 1% of annual global container throughput.¹⁷ New Zealand's population of 4.4 million people is only 0.06% of the world's population.

CMP Seafeld Meat Processing Plant

39. The CMP Seafeld meat processing plant buildings, plant and equipment have a current replacement value of \$173.5 million and much of this value is sunk – i.e. it could not be recovered if the plant was forced to downsize, close or be relocated.
40. In 2011-12, the CMP Seafeld meat processing plant processed approximately 1,150,000 sheep and lambs, 90,000 cattle and 37,000

¹⁴ A distinction is made between "commodity trade" (or "merchandise trade") and total trade. Commodity trade relates to the exporting and importing of goods only, whereas total trade includes the exporting and importing of both goods and services. In 2011 New Zealand's export of services made up 21% of the total export of goods and services. Most of these relate to earnings from services related to tourism.

¹⁵ Milk powder, butter, cheese, casein and caseinates.

¹⁶ I.e. a situation where New Zealand's trade with the rest of the world is constrained and it is not possible for New Zealand to specialize in the production of those goods and services in which it has a comparative advantage, nor access cheaper goods and services from overseas.

¹⁷ Source: The Question of Bigger Ships - Securing New Zealand's International Supply Chain. New Zealand Shippers' Council; August 2010.

calves. The total carcass weight produced of meat from sheep and lambs was 21,612 tonnes, 50% of the total tonnage within the Canterbury region. The total carcass weight of beef and calves meat produced was 27,401 tonnes, also 50% of the total tonnage produced within Canterbury.

41. The annual value of meat and other animal products produced in 2011-12 from the CMP Seafeld meat processing plant was \$333.8 million¹⁸. Of this, \$243.3 million (73%) was sold in export markets. Payments to farmers supplying the plant with livestock in 2011-12 totalled \$204.1 million, of which \$50.8 million was to Ashburton District farmers, \$34.7 million was to other Canterbury farmers and \$118.6 million was to other South Island farmers.
42. The Plant employs up to 870 staff on-site in the peak of the season which is estimated to equate to around 691 fulltime equivalent (FTE) staff. The wage and salary payments to these staff in 2011-12 were \$44.4 million. In addition, the CMP Seafeld meat processing plant in 2011-12 spent around \$9.8 million in the Ashburton economy and \$30.2 million in the Canterbury regional economy for contractors and other local suppliers of goods and services. Local firms engaged to provide goods and services to the plant include rural suppliers, machinery suppliers, training institutions, packaging and freight suppliers, energy suppliers and other service suppliers.
43. In other words, the direct injection of expenditure into the Ashburton economy from the CMP Seafeld meat processing plant totals around \$105.0 million per annum (i.e. payments to farmers, plant staff wages and salaries and payments to contractors and other local suppliers of goods and services to the plant). The direct injections into the Canterbury regional economy are \$160.1 million per annum.
44. However, in addition to these direct economic impacts there are indirect impacts arising from:
 - 44.1 The effects on suppliers of goods and services provided to the plant from within the region (i.e. the "forward and backward linkage" effects). For example, the CMP Seafeld meat processing plant generates expenditure, jobs and incomes from farms supplying

¹⁸ Valued at the plant door.

stock and stock transport operators (the “backward linkage” effects). The plant also generates expenditure, jobs and incomes from freight and port companies involved with exporting meat and meat products (the “forward linkage” effects); and

- 44.2 The supply of goods and services to employees at the plant and to those engaged in supplying goods and services to the site (i.e. the “induced” effects). For example, there will be additional jobs and incomes in the retail sector to meet the needs of supplier farmers and their staff, CMP Seafield meat processing plant employees and other employees of local firms providing goods and services to the plant.
45. Regional multipliers for expenditure, employment, and wages and salaries can be estimated to gauge the size of these indirect effects. The size of the multipliers is a function of the extent to which a region’s economy is self-sufficient in the provision of goods and services and the region’s proximity to alternative sources of supply. Also, in the case of a meat processing plant, the multipliers for employment and wages and salaries are high relative to other activities because of the significant number of on-farm employees and their wages and salaries for farms supplying livestock to the plant (i.e. the significant “backward linkage” effects).
46. Work undertaken for the Christchurch City Council and the Canterbury Regional Council¹⁹ by Mr Geoffrey Butcher estimated employment and household income (i.e. wages and salaries) multipliers for the Canterbury region of around 4. Assuming multipliers of 3.5 for the smaller Ashburton District²⁰ implies estimated total economic impacts (i.e. direct plus indirect impacts) of:
- 46.1 \$367.5 million per annum expenditure in the Ashburton District economy;
- 46.2 2,419 FTE jobs for Ashburton District residents; and

¹⁹ See Appendix 8 of evidence of Mr. Geoffrey Butcher (dated 27 August 2010) for the Christchurch City Council and for the Canterbury Regional Council Regional Council, in the matter of appeals pursuant to Clause 14 of the First Schedule to the RMA in relation to Proposed Change 1 to the Canterbury Regional Policy Statement.

²⁰ The Ashburton District will have a lower multiplier than the Canterbury region since it is less self-sufficient in the provision of goods and services.

- 46.3 \$155.4 million per annum in additional wages and salaries for Ashburton District residents.
47. For the Canterbury regional economy, the economic impacts are:
- 47.1 \$640.4 million per annum expenditure in the Canterbury economy;
- 47.2 2,764 FTE jobs for Canterbury residents; and
- 47.3 \$177.6 million per annum in additional wages and salaries for Canterbury residents.
48. Economic impacts in terms of increased expenditure, incomes, and employment within the Ashburton and Canterbury economies are indicators of levels of economic activity. They are not in themselves measures of improvements in economic welfare or economic well-being. However, there are economic welfare enhancing benefits associated with increased levels of economic activity. These relate to one or more of:
- 48.1 Increased economies of scale: Businesses and public sector agencies are able to provide increased amounts of outputs with lower unit costs, hence increasing profitability or lowering prices;
- 48.2 Increased competition: Increases in the demand for goods and services allow a greater number of providers of goods and services to enter markets and there are efficiency benefits from increased levels of competition;
- 48.3 Reduced unemployment and underemployment²¹ of resources: To the extent resources (including labour) would be otherwise unemployed or underemployed, increases in economic activity can bring efficiency benefits when there is a reduction in unemployment and underemployment. The extent of such gains is of course a function of the extent of underutilised resources within the local economy at the time and the match of resource requirements of a

²¹ Underemployment differs from unemployment in that resources are employed but not at their maximum worth; e.g. in the case of labour, it can be employed at a higher skill and/or productivity level, reflected in higher wage rates.

project and those resources unemployed or underemployed within the local economy; and

48.4 Increased quality of central government provided services:

Sometimes the quality of services provided by central government such as education and health care are a function of population levels and the quality of such services in a community can be increased if increased economic activity maintains or enhances population levels.

49. Increases in economic activity (i.e. ongoing expenditures, incomes and employment) within the Ashburton District and Canterbury regional economies as a consequence of CMP Seafield meat processing plant will contribute to these four welfare enhancing economic benefits for the local community within Ashburton District and the wider Canterbury region.

CMP Rakaia Meat Processing Plant

50. The CMP Rakaia meat processing plant buildings, plant and equipment have a current replacement value of \$16.9 million and much of this value is sunk – i.e. it could not be recovered if the plant was forced to downsize, close or be relocated.
51. In 2011-12, the CMP Rakaia meat processing plant processed approximately 147,000 sheep and lambs and 81,000 calves. The total carcass weight of sheep and lamb meat produced was 3,241 tonnes, representing 7% of sheep and lamb meat produced within the Canterbury region. The total carcass weight of beef and calf meat produced was 1,349 tonnes or 5% of total Canterbury production.
52. The annual value of meat and other animal products produced in 2011-12 from the CMP Rakaia meat processing plant was \$30.5 million²². Payments to farmers supplying the plant with livestock in 2011-12 totalled \$22.7 million, of which \$4.9 million was to Ashburton District farmers, \$5.5 million was to other Canterbury farmers and \$12.2 million was to other South Island farmers.

²² Valued at the plant door.

53. The Plant employs up to 70 staff on-site in the peak of the season which is estimated to equate to around 59 FTE staff. The wage and salary payments to these staff in 2011-12 were \$2.7 million. In addition, the CMP Rakaia meat processing plant in 2011-12 spent around \$0.5 million in the Ashburton economy and \$1.4 million in the Canterbury regional economy for contractors and other local suppliers of goods and services. Local firms engaged to provide goods and services to the plant include rural suppliers, machinery suppliers, training institutions, packaging and freight suppliers, energy suppliers and other service suppliers.
54. In other words, the direct injection of expenditure into the Ashburton District economy from CMP Rakaia meat processing plant totals around \$8.1 million per annum (i.e. payments to farmers, plant staff wages and salaries and payments to contractors and other local suppliers of goods and services to the plant). The direct injections into the Canterbury regional economy are \$14.5 million per annum.
55. Assuming multipliers of 3.5 for the Ashburton District sub-region implies estimated total economic impacts (i.e. direct plus indirect impacts) of:
- 55.1 \$28.4 million per annum expenditure in the Ashburton District economy;
 - 55.2 207 jobs for Ashburton District residents; and
 - 55.3 \$9.5 million per annum in additional wages and salaries for Ashburton District residents.
56. For the Canterbury regional economy, the economic impacts are:
- 56.1 \$58.0 million per annum expenditure in the Canterbury economy;
 - 56.2 236 jobs for Canterbury residents; and
 - 56.3 \$10.8 million per annum in additional wages and salaries for Canterbury residents.

FSB Beef Feedlot

57. The FSB beef feedlot buildings, plant and equipment have a current replacement value of \$31.5 million and much of this value is sunk – i.e. it could not be recovered if the plant was forced to downsize, close or be relocated.
58. In 2011-12, the FSB beef feedlot produced cattle for processing having a value of \$80.8 million. The feedlot in 2011-12 spent \$40.5 million purchasing cattle, of which \$8.4 million was from Ashburton District farms and \$15.1 million was from other Canterbury farms.
59. The feedlot employs 30 FTE staff. The wage and salary payments to these staff in 2011-12 were \$1.9 million. In addition, the FSB beef feedlot in 2011-12 spent around \$30.7 million²³ in the Ashburton District economy and \$34.1 million in the Canterbury regional economy for contractors and other local suppliers of goods and services. Local firms engaged to provide goods and services to the feedlot include cattle suppliers, feed suppliers, machinery suppliers, freight suppliers, energy suppliers and other service providers.
60. In other words, the direct injection of expenditure into the Ashburton District economy from the FSB beef feedlot totals around \$41.0 million per annum (i.e. cattle purchases, plant staff wages and salaries and payments to contractors and other local suppliers of goods and services to the feedlot). The direct injections into the Canterbury regional economy are \$59.5 million per annum.
61. Assuming multipliers of 2.0²⁴ for Ashburton District implies estimated total economic impacts (i.e. direct plus indirect impacts) of:

61.1 \$82.0 million per annum expenditure in the Ashburton District economy;

²³ Includes \$9.1 million paid to CMP Seafeld toll processing fees.

²⁴ Based on multipliers of around 2.5 for livestock and cropping farming for the Canterbury region – see Appendix 8 of evidence of Mr. Geoffrey Butcher (dated 27 August 2010) for the Christchurch City Council and for the Canterbury Regional Council Regional Council, in the matter of appeals pursuant to Clause 14 of the First Schedule to the RMA in relation to Proposed Change 1 to the Canterbury Regional Policy Statement.

- 61.2 60 jobs for Ashburton District residents; and
- 61.3 \$3.8 million per annum in additional wages and salaries for Ashburton District residents.
- 62. For the Canterbury regional economy, the economic impacts are:
 - 62.1 \$148.8 million per annum expenditure in the Canterbury economy;
 - 62.2 75 jobs for Canterbury residents; and
 - 62.3 \$4.8 million per annum in additional wages and salaries for Canterbury residents.

ANZCO's Christchurch Head Office

- 63. At its Christchurch headquarters, ANZCO employ 24 staff, with wages and salaries in 2011-12 estimated at \$4.6 million. Expenditure on goods and services from suppliers within Christchurch City in 2011-12 are estimated at \$ 7.0 million.
- 64. Assuming multipliers of 1.5²⁵ for Christchurch City implies estimated total economic impacts (i.e. direct plus indirect impacts) of:
 - 64.1 \$17.4 million per annum expenditure in the Christchurch City economy;
 - 64.2 36 jobs for Christchurch City residents; and
 - 64.3 \$6.9 million per annum in additional wages and salaries for Christchurch City residents.
- 65. For the Canterbury regional economy, the economic impacts are:

²⁵ Based on multipliers of around 1.75 for 'other business services' for the Canterbury region – see Appendix 8 of evidence of Mr. Geoffrey Butcher (dated 27 August 2010) for the Christchurch City Council and for the Canterbury Regional Council Regional Council, in the matter of appeals pursuant to Clause 14 of the First Schedule to the RMA in relation to Proposed Change 1 to the Canterbury Regional Policy Statement.

- 65.1 \$20.3 million per annum expenditure in the Canterbury economy;
- 65.2 42 FTE jobs for Canterbury residents; and
- 65.3 \$8.1 million per annum in additional wages and salaries for Canterbury residents.

Aggregate Economic Impacts for Ashburton District and Canterbury Economies

- 66. Combining the direct and indirect economic impacts for the two CMP meat processing plants – i.e. CMP Rakaia and CMP Seafield – gives conservative estimates for the combined expenditure, employment and income effects of ANZCO's operations within the Ashburton District and the Canterbury region. For the Ashburton District economy, these combined economic impacts are:

- 66.1 \$395.9 million per annum expenditure in the Ashburton District economy;
- 66.2 2,626 FTE jobs for Ashburton District residents; and
- 66.3 \$164.9 million per annum in additional wages and salaries for Ashburton District residents.

- 67. For the Canterbury regional economy, the combined economic impacts are:

- 67.1 \$698.4 million per annum expenditure in the Canterbury economy;
- 67.2 3,000 FTE jobs for Canterbury residents; and
- 67.3 \$188.4 million per annum in additional wages and salaries for Canterbury residents.

- 68. Since the FSB beef feedlot economic impacts are part of the indirect effects of the CMP Seafield meat processing plant (which processes all of the stock produced by the FSB beef feedlot) there is no need to aggregate them with those for CMP Seafield and CMP Rakaia. Also some of the office functions of ANZCO's head office in Christchurch are part of the indirect effects of

the two meat processing plants and double counting would occur if the economic impacts of the Christchurch head office were aggregated with those for the two meat processing plants. However the combined impacts estimated above are conservative to the extent that ANZCO's head office also performs functions for its activities located elsewhere in New Zealand.

Other Economic Benefits

69. Increased Economic Diversity. Although the Ashburton District and Canterbury regional economies are heavily reliant on both agriculture and agricultural product processing, the CMP Seafeld and CMP Rakaia meat processing plants provide the Ashburton District economy with greater resilience against cyclical variations in agricultural product prices. Whilst lower agricultural product prices lower returns to farmers, their livestock still need to be processed and therefore processing capacity within the local economies helps cushion the effects of cyclical downturns in agricultural product prices. If processing capacity within Ashburton District and the Canterbury region was reduced, the local and regional economies would be more sensitive to changes in farm profitability.
70. Also having CMP's two meat processing plants and the FSB beef feedlot located within the Canterbury region, increases the likelihood that ANZCO's head office functions will be retained within Christchurch City. If ANZCO's meat processing and beef feedlot activities within Canterbury were closed or downsized, there is a greater chance that ANZCO would relocate its head office elsewhere in New Zealand.

Increased Rates Revenue for the Ashburton District Council

71. In 2011/2012 rates paid by ANZCO subsidiaries to the Ashburton District Council totalled \$91,178 (excluding GST).²⁶ Because of economies of scale²⁷ it is likely that these rates payments will be greater than the increase in Council's costs as a consequence of ANZCO's operations within the District. From the perspective of the Ashburton District Council and other ratepayers in the District, this broadening of the rating base provides the opportunity for a greater range of Council provided services or a reduction in the rates burden for other ratepayers.

²⁶ Rates paid to the Selwyn District Council in 2011-12 by CMP Rakaia were \$4,152.

²⁷ I.e. there are fixed costs in the provision of goods and services to ratepayers and therefore unit costs fall with increases in scale.

THE ECONOMIC IMPLICATIONS OF THE PLWRP CONSTRAINING ANZCO'S OPERATIONS IN CANTERBURY

Retention of Expenditure, Employment and Incomes

72. I understand from the evidence of Mr Tim Ensor and Mr Stephen Douglass, that the PLWRP has the potential to have the following impacts on ANZCO's Canterbury operations:
- 72.1 An inability to obtain new water permits as CMP Rakaia, CMP Seafield and FSB are all located in over allocated zones;
 - 72.2 An increased complexity in applying for and obtaining discharge permits for livestock processing due to such operations potentially falling within a range of rules such as a "farming activity" and thereby subject to additional rules over and above industrial activities;
 - 72.3 An increased difficulty in the ability to make longer term investments or strategic decisions as a result of the above; and
 - 72.4 An increased risk of not being able to renew permits on the same terms.
73. Particular relief sought by Mr Ensor in his evidence relates to the granting of a higher priority for accessing water by livestock processing plants (both generally and at times of when minimum flow or other water restrictions are in place); and having discharges from livestock processing activities assessed under rules addressing industrial discharges rather than farming discharges. The evidence of Mr Ensor and Mr Douglass discuss the environmental effects of allowing such relief.
74. Unless relief is granted with respect to certain of the objectives, policies, definitions and rules of the PLWRP, significant ongoing economic benefits for the Canterbury region, and especially the Ashburton District, are at risk. This may result in a reduction in (or forgone increases in) expenditure, employment and incomes for the region. The Ashburton District would be particularly hard hit since livestock processing is in

proportionate terms much more significant for the Ashburton District than for the Canterbury region.

Other Economic Effects

75. The above impacts may in turn reduce competition within the South Island's livestock processing industry, reduce the diversity of the Ashburton District economy, reduce the Ashburton District Council's rates revenue and reduce the contributions from ANZCO, its employees and its suppliers to the Ashburton, Christchurch and Canterbury communities.

CONCLUSIONS

76. ANZCO's operations within the Canterbury region enhance the economic well being of Ashburton and Canterbury residents and businesses by:
- 76.1 Increasing expenditure, employment and incomes in the local and regional economies;
 - 76.2 Increasing population in Ashburton and Canterbury, thereby increasing or maintaining the quality of some central government provided services;
 - 76.3 Providing the local and regional economies with greater diversity and resilience;
 - 76.4 Helping to underpin the Canterbury regional economy following the major Greater Christchurch earthquakes of September 2010, February 2011 and June 2011 and ongoing aftershocks;
 - 76.5 Providing greater employment choice for local residents;
 - 76.6 Broadening the rating base of the Ashburton District Council; and
 - 76.7 ANZCO and its employees contributing to the Ashburton, Christchurch and Canterbury communities.
77. ANZCO's operations within the Canterbury region improve resource use efficiency by:

- 77.1 Increasing economic activity and population in Ashburton and Canterbury, enabling increased economies of scale in the local provision of goods and services; and
 - 77.2 Increasing competition within the the South Island meat processing industry.
78. Constraints on CMP's meat processing plants at Rakaia and Seafield, FSB's beef feedlot and the production of livestock for processing from other supplier farms as a consequence of provisions within the PLWRP will restrict ANZCO's (and other farmer suppliers) ability to produce and process livestock within the Ashburton District and Canterbury region, potentially undermining the significant economic benefits of ANZCO's operations to the Ashburton and Canterbury economies.

Dated: 4 February 2013

M C Copeland

APPENDIX 1

CURRICULUM VITAE OF MICHAEL CAMPBELL COPELAND

DATE OF BIRTH	3 October 1950
NATIONALITY	New Zealand
EDUCATIONAL	Bachelor of Science (Mathematics) 1971
QUALIFICATIONS	Master of Commerce (Economics) 1972
PRESENT POSITIONS	
(Since 1982)	Economic Consultant, Brown, Copeland & Co Ltd
(Since 2010)	Director, Southern Pastures
(Since 2010)	Director, Healthcare New Zealand Holdings Limited
(Since 2012)	Director, McIsaacs Healthcare Limited
(Since 2012)	Director, Panacea Healthcare Limited

PREVIOUS EXPERIENCE

1978-82	NZ Institute of Economic Research Contracts Manager/Senior Economist
1975-78	Confederation of British Industry Industrial Economist
1972-75	NZ Institute of Economic Research Research Economist
1990-94	Member, Commerce Commission
2001-06	West Coast Regional Council Trustee, West Coast Development Trust
2002-08	Lay Member of the High Court under the Commerce Act 1986
2003-11	Director, Wellington Rugby Union

GEOGRAPHICAL EXPERIENCE

- New Zealand
- Australia
- Asia (Cambodia, India, Indonesia, Kazakhstan, Malaysia, Nepal, Pakistan, People's Republic of China, Philippines, Tajikistan, Sri Lanka, Uzbekistan, Viet Nam)
- South Pacific (Cook Islands, Fiji, Tokelau, Tonga, Vanuatu, Western Samoa)
- United Kingdom

AREAS OF PRIMARY EXPERTISE

- Agriculture and Resource Use Economics (including Resource Management Act)
- Commercial Law and Economics (including Commerce Act)
- Development Programme Management
- Energy Economics
- Industry Economics
- Transport Economics

SECTORAL COVERAGE

Agriculture	Aluminium	Airports	Aviation
Electricity	Fertiliser	Flood Control	Forestry
Natural Gas	Pharmaceuticals	Public Transport	Rail
Road Transport	Sea Ports	Tourism	Utilities

RESOURCE MANAGEMENT ACT SPECIFIC PROJECTS

- New supermarkets in Dunedin, Rangiora and Kaiapoi;
- Port storage facilities at Westport;
- The proposed Clifford Bay ferry terminal;
- The proposed pipeline and related facilities to utilise water from the Waikato River for metropolitan Auckland;
- A container terminal expansion by the Ports of Auckland;
- The designation of the Transmission Gully motorway route;
- The proposed Variation No. 8 to the Wellington City District Plan covering height and other controls on development of the airspace above the Wellington railway yards;
- A proposed Town Centre Zone within the Kapiti Coast District;
- Wellington City Council's heritage preservation policy;
- Solid Energy's proposed West Coast Coal Terminal at Granity;
- The proposed Waimakariri Employment Park;
- The designation of land for a proposed motorway extension in the Hawke's Bay;
- The Hastings District Council's Ocean Outfall;
- A proposed new shopping and entertainment centre in Upper Hutt;
- New regional correctional facilities in Northland, South Auckland, Waikato and Otago;
- Proposed controls on wake generation by vessels travelling within the waterways of the Marlborough Sounds;
- Southern Capital's proposed new township at Pegasus Bay, north of Christchurch;
- Renewal of water resource consents for the Tongariro Power Development Scheme;
- Economic analysis inputs to a Section 32 report for the Waitaki Water Allocation Board;
- The imposition of land use restrictions within noise contours surrounding Christchurch International Airport;
- The expansion of the Whangaripo Quarry in Rodney District;
- A proposed five star hotel development for Wanaka;
- Holcim's proposed new cement plant near Weston in the Waitaki District;
- TrustPower's proposed new wind farm at Mahinerangi in Central Otago;

- TrustPower's proposed new Arnold hydroelectric power scheme on the West Coast;
- McCallum Bros and Sea Tow Limited's appeal before the Environment Court regarding extraction of sand from the Mangawhai-Pakiri embayment north of Auckland;
- The development of the Symonds Hill pit at Winstones' Hunua Quarry;
- The rezoning of land for residential development at Peninsula Bay, Wanaka;
- The rezoning of land for more intensive residential development at Peka Peka on the Kapiti Coast;
- A gondola development for the Treble Cone skifield;
- A gondola development for the Snow Farm and Snow Park skiing and snowboarding facilities;
- The extraction of gravel from the bed of the Shotover River;
- The proposed Hilton hotel development on Wellington's Queen's Wharf;
- Land use restrictions in relation to the Runway Extension Protection Areas for Christchurch International Airport;
- A new residential and commercial development by Apple Fields at Belfast on the outskirts of Christchurch;
- A proposed business park development on land at Paraparaumu Airport;
- The proposed redevelopment of Wellington's Overseas Passenger Terminal;
- The proposed Central Plains irrigation scheme in Canterbury;
- The staging of residential and business development at Silverdale North in the Rodney District;
- The redevelopment of the Johnsonville Shopping Centre;
- A Plan Change enabling the relocation of existing development rights for a residential and commercial development on Mount Cardrona Station in the Queenstown Lakes District;
- A new Pak'n Save supermarket at Rangiora;
- New supermarkets at Whitby and Silverstream;
- The extension of the Te Rere Hau wind farm in the Tararua District;
- MainPower's proposed new wind farm at Mount Cass;
- Fonterra's proposed new milk processing plant at Darfield;
- Designation of land for NZTA's Waterview motorway project in Auckland;
- Resource consent extensions for Oceana Gold (New Zealand) Limited's gold mining operations at Macraes Flat in north-east Otago;
- Designation of land for NZTA's Transmission Gully motorway project in Wellington;
- Designation of land for NZTA's MacKays to Peka Peka Expressway;
- Assessment of economic effects of a Queenstown Airport Corporation's proposed Notice of Requirement for the designation of additional land for aerodrome purposes;
- Assessment of the retail effects of proposed Plan Change 19 to the Queenstown Lakes District's District Plan;
- Assessment of the regional and national economic significance of Lyttelton Port;
- Meridian's proposed new Mokihinui hydro scheme;
- Assessment of the economic effects of alternative wreck recovery options for the MV Rena;
- Assessment of economic effects of proposed extension to Arrowtown's urban boundary.