

**EASTLAND PORT LIMITED'S RESOURCE CONSENTS' APPLICATION FOR ITS
PROPOSED TWIN BERTHS STAGE 2 DEVELOPMENT PROJECT**

ASSESSMENT OF ECONOMIC EFFECTS

**Prepared for
Eastland Port Limited**

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INTRODUCTION

Background

1. At the present time, Eastland Port provides for the export of the Tairāwhiti-Gisborne region's forestry exports, in particular log exports but also smaller volumes of sawn timber and fruit and vegetable exports. It also facilitates cruise ship visits (currently halted due to covid-19), handles a small volume of imports and provides facilities for the local fishing fleet to land its catch. In the future the volume of forestry exports is expected to grow but there is also an opportunity for other primary products produced in the region, including processed horticultural and agricultural products, to be exported via the port in conjunction with a coastal container service. This would also provide an opportunity to increase the volume of imports to the region from other New Zealand ports.
2. Eastland Port Limited (EPL) is embarking upon a programme of capital expenditure (the Twin Berth Development) to improve the resilience of its existing infrastructure and expand its facilities to enable the port to transition from a predominantly log port to a multi-purpose break-bulk/container port. This will enable the port to better support the Tairāwhiti-Gisborne region's export industries and increase import volumes for local businesses and residents. It will provide transport efficiency benefits for the region's exporters and importers and help diversify the local economy by improving the sustainability of existing non-forestry sector businesses and possibly attracting new industries to the region.
3. The Twin Berth Development is expected to have a total capital cost of \$169.7 million and has two stages:
 - a. Stage 1 consists of the inner breakwater refurbishment, slipway construction, the rebuild of Wharf 7 and the refurbishment of Wharf 6. The estimated capital cost of these works is \$68.3 million.
 - b. Stage 2 consists of the extension of Wharf 8, reclamation, capital dredging of the harbour, capital dredging of the channel and refurbishment of the outer breakwater. The estimated capital cost of these works is \$101.4 million.
4. In December, 2020 EPL gained consents for the Stage 1 works, for which construction is expected to start in April 2022 and is expected to be completed in December 2023. EPL is now seeking consents for the Stage 2 works, with the Wharf 8 extension, the reclamation and the capital dredging to be undertaken over the period 2023 to 2025 and the outer breakwater refurbishment work starting in March 2025 and completed in 2029. The Stage 1 works are essentially to maintain the current resilience of the existing port facilities enabling current cargo handling levels, whereas the Stage 2 works will enable development of the port to facilitate increased volumes of log exports and the diversification of the port's trade to include the exporting and importing of containers.

5. Report Purpose

6. The purpose of this report is to undertake an assessment of the economic effects for the Tairāwhiti-Gisborne region from the proposed Stage 2 works (the project). The report will form one of the technical appendices to the Assessment of Environmental Effects accompanying the Consent Application.

Report Format

7. Following a summary, the remainder of this report is in seven parts and covers:
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- a. The relevance of economic concepts under the Resource Management Act 1991 (RMA);
- b. The economic significance of merchandise trade to the New Zealand and Tairāwhiti-Gisborne region economies;
- c. Background to the Tairāwhiti-Gisborne regional economy;
- d. The economic significance of Eastland Port;
- e. The economic benefits from consents being granted for EPL's proposed Stage 2 works;
- f. The potential economic costs from consents being granted for EPL's proposed Stage 2 works; and
- g. The report's conclusions.

SUMMARY

8. Social and economic wellbeing, the efficient use and development of natural and physical resources and opportunities for economic growth and employment are relevant considerations under the RMA.
 9. Merchandise trade and seaports are extremely important to the economic wellbeing of New Zealand and the Tairāwhiti-Gisborne region because the relatively small size of their population, labour force and economies limits the range of commodities that can be efficiently produced locally. In addition residents and businesses are reliant on imports of commodities which can be produced more efficiently outside their economies.
 10. The key economic drivers for the Tairāwhiti-Gisborne region are agriculture (including horticulture), forestry and the processing of these industries outputs. The region's employment in sectors other than primary and primary product processing industries is to a large extent driven by the demand for goods and services by primary and primary product processing industries and their employees with the so called "multiplier" effects creating additional jobs for the region's other manufacturing and service sector industries. Future employment growth and associated social and economic wellbeing for the Tairāwhiti-Gisborne region is also likely to be largely associated with the key economic drivers of agriculture (including horticulture), forestry, the processing of these industries' products and to a lesser degree tourism.
 11. Whilst forestry and forest products processing industries are now highly dependent upon Eastland Port for exporting their finished products, EPL's proposed Stage 2 works will facilitate the opportunity for greater quantities of primary industry products to be exported from the region via the port, as well as facilitating the importing of a greater volume of goods required to sustain these and other businesses within the region and meet the needs of residents.
 12. In the year ending 30 June, 2021 Eastland Port handled 3.3 million tonnes of exports, up from 1.3 million tonnes in 2010 – i.e. an increase of 266% in 11 years, or an average annual increase of 9.3% per annum. The free on board (fob) value of exports has risen from \$195.1 million in 2010 to \$626.7 million in 2021 – i.e. an increase of 321% over the 11 year period, or an average annual increase of 11.2% per annum. Imports through the port are much smaller with 1 tonne recorded in 2021 having a fob value of \$15,000, whilst in 2010 there were 24 tonnes having a fob value of \$90,000. In 2021, the main
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export trades through the Port were wood and other wood products (\$536 million and 9.7% of the total wood and wood products for New Zealand); fruit (\$30 million and 0.8% of the total fruit exports for New Zealand); and vegetables (\$18 million and 3.7% of the total vegetable exports for New Zealand).

13. Currently Eastland Port helps sustain around 25% of total household income, employment and gross regional product (GRP) within the Tairāwhiti-Gisborne region. With the completion of EPL's proposed Stage 2 (and Stage 1) works, the port will be in a position to handle forecast increases in wood and wood product exports, much more of the region's agricultural and horticultural exports and increased import volumes, helping to sustain upwards of 40% of total economic activity in the region.
 14. The main economic benefits for the Tairāwhiti-Gisborne regional economy from granting consents for EPL's proposed Stage 2 works are:
 - a. Increased employment, household incomes and expenditure with local businesses during the 2023-29 construction phase:
 - i. 104 additional jobs, \$8.3 million per annum additional wages and salaries, and \$18.2 million per annum additional expenditure with local businesses over the three year period 2023-25; and
 - ii. 17 additional jobs, \$1.9 million per annum additional wages and salaries, and \$6.3 million per annum additional expenditure with local businesses over the five year period 2025-29.
 - b. Increased employment, household incomes and expenditure with local businesses when the Stage 2 facilities are operational (in part from 2025 and fully operational from 2029) - 245 additional jobs, \$20 million per annum additional wages and salaries, and \$71 million per annum additional revenue for local businesses;
 - c. Transport cost savings for local exporters of agricultural (including horticultural) products and importers of some products. These transport cost savings will increase the competitiveness and profitability of local businesses;
 - d. Reduction in the carbon footprint of the Tairāwhiti-Gisborne region's exports and imports.
 - e. Increased resilience of the port to safeguard the future log trade through the port - without the Stage 2 works, EPL considers the log trade through the port will be capped at around current levels plus 10%, limiting future growth in log exports through the Port and likely resulting in a capping of the growth in logs harvested in the region;
 - f. Increased diversity for the local economy if the increased transport efficiency for exports and imports attracts new industries to the region;
 - g. Reductions in road transport externality costs – i.e. those arising from vehicle emissions, road accidents and congestion;
 - h. Increased EPL returns to its shareholder, Trust Tairāwhiti whose distributions benefit the residents and businesses of the region. In the financial year to 31 March 2021, Eastland Group, of which EPL is a part, returned \$10.1 million to Trust Tairāwhiti. Returns to the Trust have totalled more than \$138 million over
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the past 18 years. EPL's proposed Stage 2 works will help underpin and increase these returns and the range of EPL's own sponsorships and community grants, which benefit the region's residents and businesses.

15. Granting consents for EPL's proposed Stage 2 works will not give rise to economic externality costs.
16. Granting consents for EPL's proposed Stage 2 works:
 - a. Will enable the residents and businesses of the Tairāwhiti-Gisborne region "to provide for their ... social (and) economic... well being";
 - b. Is consistent with "the efficient use and development of natural and physical resources"; and
 - c. Will provide opportunities for employment and economic growth within the Tairāwhiti-Gisborne region.

RELEVANCE OF ECONOMIC CONCEPTS UNDER THE RMA

Community Economic Wellbeing

17. 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 social, economic and cultural well-being and for their health and safety" as part of the meaning of "sustainable management", the promotion of which is the purpose of the RMA.
18. As well as indicating the relevance of economic effects in considerations under the RMA, section 5 also refers to "people and communities", which highlights that, in assessing the impacts of EPL's proposed Stage 2 works, it is the impacts on the community and not just EPL or particular individuals or organisations that must be taken into account. This is underpinned by the definition of "environment" which also extends to include people and communities.
19. EPL's proposed Stage 2 works will enable the residents and businesses of the Tairāwhiti-Gisborne region to better provide for their economic and social well-being by retaining and increasing employment and economic activity levels within the region, maintaining and enhancing the local economy's "critical mass" and broadening its economic base. These economic benefits are discussed later in this report.

Economic Efficiency

20. Part 2 section 7(b) of the RMA directs 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 concept of economic efficiency.¹ Economic efficiency can be defined as:

¹See, for example, in *Marlborough Ridge Ltd v Marlborough District Council* [1998] NZRMA 73 at [86], the Court noted that all aspects of efficiency are "economic" by definition because economics is about the use of resources generally.

*“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

21. 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; and
- d. Minimising waste.

22. EPL’s proposed Stage 2 works will bring economic efficiency benefits (especially transport efficiency benefits) to the local the Tairāwhiti-Gisborne economy and therefore is consistent with this part of the RMA. These efficiency benefits are discussed later in this report.

Economic Growth and Employment

23. Section 32(2)(a) of the RMA requires reports prepared under the Act to:

“Identify and assess the benefits and costs of the environmental, economic, social and cultural effects that are anticipated from the implementation of the provision, including the opportunities for:

Economic growth that are anticipated to be provided or reduced; and

Employment that are anticipated to be provided or reduced.”

24. Although this section of the RMA relates to plan change requests rather than consent applications and is therefore not directly relevant here, it again highlights that economic costs and benefits and economic growth and employment effects are relevant under the RMA. As explained later in this report, EPL’s proposed Stage 2 works will contribute to increased economic growth and employment for the Tairāwhiti-Gisborne region.

Viewpoint for Economic Assessment

25. An essential first step in carrying out an assessment of the economic effects of EPL’s proposed Stage 2 works is to define the appropriate viewpoint that is to be adopted. This helps to define which economic effects are relevant to the analysis. Typically a city (district) or wider regional viewpoint is adopted and sometimes a nationwide viewpoint might be considered appropriate. In the case of EPL’s proposed Stage 2 works, the economic effects principally relate to the businesses and residents of the Tairāwhiti-Gisborne region. Therefore, this is the relevant viewpoint adopted in this report.

26. There are also private or financial costs and benefits associated with the proposed investment in the Stage 2 works. EPL will be responsible for assessing these costs and benefits and assessing whether the proposed investment is worthwhile. Generally these costs and benefits are not relevant under the RMA and the main focus of this report is

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

therefore on the wider economic effects on parties other than EPL and its customers. Economists refer to such effects as “externalities”³.

27. However, EPL is part of the Eastland Group whose sole shareholder is Trust Tairāwhiti, (formerly named the Eastland Community Trust) and whose distributions impact directly on the “*economic (and social) well being*” of the regions residents and businesses. Also financial benefits to EPL are relevant with respect to the “*efficient use and development of natural and physical resources*”. Therefore in this report some consideration is also given to the impacts of the proposed Stage 2 works on EPL’s profitability and, as a consequence, the Eastland Group’s future distributions to Trust Tairāwhiti.

Intangible Effects

28. In economics, ‘intangible’ costs and benefits are defined as those which cannot be quantified in monetary terms. For any project, such effects may include amenity effects, landscape effects, ecological effects, Māori cultural and relationship effects and recreational effects. Such effects may be positive or negative – i.e. a benefit or a cost for a particular community of interest.
29. Sometimes attempts can be made to estimate monetary values for so called ‘intangibles’ using techniques such as willingness to pay surveys or inferring values on the basis of differences in property values. However, these techniques are frequently subject to uncertainty and criticism.
30. It is generally better to not attempt to estimate monetary values for these effects but to leave them to be part of the consideration under section 5 of the RMA. This also avoids the danger of ‘double-counting’ – i.e. including them within a quantified measure of efficiency and treating them as a separate matter in the overall judgement under section 5. Generally the intangible effects of EPL’s proposed Stage 2 works are covered in other technical reports appended to the AEE. However because the social wellbeing and traffic effects have close linkage to the economic effects there is some coverage of these effects later in this report.

THE IMPORTANCE OF MERCHANDISE TRADE TO THE NEW ZEALAND AND TAIRAWHITI-GISBORNE REGIONAL ECONOMIES

31. Merchandise trade (also known as commodity trade)⁴ is extremely important to the economic wellbeing of New Zealanders because the relatively small size of our population, labour force and economy limits the range of commodities that can be efficiently produced in New Zealand. In addition we are reliant on imports of commodities which can be produced more efficiently overseas. Lower cost imports help maintain the competitiveness of New Zealand producers as well as providing cost savings to consumers.
32. 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. These exports in turn provide the foreign exchange to enable New Zealand to finance the purchase of competitively priced imported goods and services.

³Defined as the side effects of the production or use of a good or service, which affects third parties, other than just the buyer and seller.

⁴A 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.

33. The alternative model of “fortress New Zealand”⁵ 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.
34. Although the New Zealand economy has diversified with growth in secondary and tertiary sectors (including those related to tourism), it remains heavily dependent upon primary sector exports – including raw and processed agricultural and horticultural commodities, forestry products and fish and fish products. Covid-19 has shown the importance of the production and export of these products at a time when international tourism, and at times domestic tourism, have come to a standstill.
35. As explained in the next section of this report, the Tairāwhiti-Gisborne region’s economy, like the New Zealand economy, is also heavily dependent on primary product exports and the importation of other goods and services produced elsewhere in New Zealand and overseas to sustain the region’s primary product industries and to meet the requirements of other local businesses and residents. This underscores the importance of the current and potential future role of Eastland Port.

THE TAIRAWHITI-GISBORNE REGIONAL ECONOMY

Population

36. Statistics New Zealand’s June 2021 population estimate for the Tairāwhiti-Gisborne region is 51,500 or 1.0% of New Zealand’s total population. In 2013 the population in the Tairāwhiti-Gisborne region was 47,000 persons, implying growth of 9.6% over the period 2013-21. Over the same period New Zealand’s population increased by 15.3%
37. Statistics New Zealand’s ‘medium’ population projections⁶ have the Tairāwhiti-Gisborne region’s population at 55,200 in 2048 – i.e. an average rate of population growth of 0.04% per annum over the period 2021-48, as compared to an average rate of growth for New Zealand as a whole of 1.1%.

Employment

38. Employment data highlights the dependence of the Tairāwhiti-Gisborne economy on primary industries and primary product processing industries. In 2021:
 - a. 5,000 jobs (21.6% of total jobs) of the region’s 21,900 jobs were in the agriculture, forestry and fishing⁷ sector with 3,904 jobs (16.9% of total jobs) in agriculture (including 1,650 jobs in sheep, beef cattle and grain farming, 854 jobs in agricultural support services, 840 jobs in fruit and tree nut growing and 280 jobs in mushroom and vegetable growing) and 730 jobs (3.2% of total jobs) in forestry and logging (including 570 in forestry and logging and 160 jobs in forestry support services); and
 - b. 2,100 jobs (9.1% of total jobs) were in the manufacturing sector with the main sub-sectors being food product manufacturing (1,100 jobs – principally fruit and

⁵i.e. where New Zealand does not engage in international trade.

⁶Statistics New Zealand prepares 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.

⁷In 2021 the region’s fishing industry accounted for only 35 employees and the seafood processing industry 35 employees.

vegetable processing (520 jobs) and meat and meat products manufacturing (310 jobs)) and wood products processing (240 jobs).

39. Other important sectors are health care and social assistance (2,650 jobs or 11.5% of total jobs), education and training (2,300 jobs or 10.0% of total jobs), retail trade (1,850 jobs or 8.0% of total jobs), construction (1,650 jobs or 7.1% of total jobs), accommodation and food services (1,250 jobs or 5.4% of total jobs), professional, scientific and technical services (1,100 jobs or 4.8% of total jobs), and transport, postal and storage (860 jobs or 3.7% of total jobs).
40. The key economic drivers for the Tairāwhiti-Gisborne region are agriculture (including horticulture), forestry and the processing of these industries outputs. Tourism (which accounts for some but not all⁸ of the jobs created in the retail trade and accommodation and food services and education and training sectors) makes a smaller contribution. However, the region's employment in sectors other than primary and primary product processing industries is to a large extent driven by the demand for goods and services by primary and primary product processing industries and their employees with the so called "multiplier" effects⁹ creating additional jobs for the region's other manufacturing and service sector industries.
41. Future employment growth and associated social and economic wellbeing for the Tairāwhiti-Gisborne region is also likely to be largely associated with the key economic drivers of agriculture (including horticulture), forestry, the processing of these industries products and to a lesser degree tourism.
42. The agriculture and forestry industries and the processing of these industries' products together directly engage an estimated 5,974 jobs or 25.9% of total employment in the Tairāwhiti-Gisborne region and underpin much of the economic activity of the region. Whilst forestry and forest products processing industries are now highly dependent upon Eastland Port for exporting their finished products, EPL's proposed Stage 2 works will facilitate the opportunity for agricultural products to be exported from the region via the port, as well as facilitating the importing of some of the goods required to sustain these and other businesses within the region and meet the needs of residents.
43. Multipliers for a region such as the Tairāwhiti-Gisborne region are typically in the range of 1.5 to 2.0, depending upon the degree of self-sufficiency of the region and the distance of the region from other major urban areas. Conservatively assuming a multiplier of 1.5 for primary industries and primary product processing industries in the Tairāwhiti-Gisborne region¹⁰, the agriculture (including horticulture) and forestry industries and the processing of these industries' products generate a total of 8,961 jobs or 38.8% of total employment in the region. This excludes Eastland Port's role in enabling cruise ship visits to the region. An earlier study (Tairāwhiti-Gisborne Region Economic Impacts of Eastland Port Operation; prepared for EPL by Sean Bevan, Economic Solutions Ltd; 25 March, 2019) estimated cruise ship visits led to an additional 54 jobs in the region (both direct and indirect or multiplier employment effects), raising the number of jobs potentially sustained by the port to 9,015 jobs, or 39.0% of the region's total employment.

⁸Employment 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.

⁹These are discussed in greater detail in the next section of this report.

¹⁰Whilst Tairāwhiti-Gisborne is a comparatively small region, it is isolated from other main urban centres and therefore is relatively more self-sufficient in the provision of goods and services to businesses and residents within the region.

EPL's proposed Stage 2 (and Stage 1) works may help to attract a greater number of cruise ship visitors to the region post Covid-19.

44. Therefore EPL's proposed Stage 2 works will help sustain a significant part of the Tairāwhiti-Gisborne economy, if it leads to greater use of the port for agricultural (including horticultural) exports. Potentially the proposed Stage 2 works will also help to attract new industries to the region by improving transport efficiencies and reducing its comparative isolation.

THE ECONOMIC SIGNIFICANCE OF EASTLAND PORT

45. As at 30 March 2021, EPL had \$248 million dollars worth of property, plant and equipment.¹¹ During the year ended 30 March 2021, the company collected \$42.9 million in revenue, provided 64 jobs and paid \$5.4 million in salaries and wages.¹² It spent \$7.8 million on goods and services, with an estimated 65% of this going to local Tairāwhiti-Gisborne suppliers.¹³ In addition there are a number of other port based businesses, including security, cleaning, mooring and stevedoring activities, which in 2017/18 were estimated to generate \$26 million in revenues, provide 146 jobs and pay \$4.9 million in wages and salaries.¹⁴
46. In the year ending 30 June, 2021 Eastland Port handled 3,345,815 tonnes of exports, up from 1,258,468 tonnes in 2010 – i.e. an increase of 266% in 11 years, or an average annual increase of 9.3% per annum.¹⁵ The free on board (fob) value of exports has risen from \$195.1 million in 2010 to \$626.7 million in 2021 – i.e. an increase of 321% over the 11 year period, or an average annual increase of 11.2% per annum. Imports through the port are much smaller with only 1 tonne having a fob value of \$15,000 in 2021, whilst in 2010 there were 24 tonnes having a fob value of \$90,000.¹⁶
47. The main export trades by value through Eastland Port in the year to 31 December, 2021 were¹⁷:
- a. Wood and other wood products (\$536 million and 9.7% of the total wood and wood products for New Zealand);
 - b. Fruit (\$30 million and 0.8% of the total fruit exports for New Zealand); and
 - c. Vegetables (\$18 million and 3.7% of the total vegetable exports for New Zealand).
48. A previous study¹⁸ assessing the economic impacts of Eastland Port on the Tairāwhiti-Gisborne region combined together the activities of EPL, other port based businesses,

¹¹Source: Data from EPL.

¹²Source: Data from EPL.

¹³Source: Data from EPL.

¹⁴Source: Tairāwhiti-Gisborne Region Economic Impacts of Eastland Port Operation; prepared for EPL by Sean Bevan, Economic Solutions Ltd; 25 March, 2019. (This report used data for the year ending 30 June, 2018.)

¹⁵ The Eastland Group 2021 Annual Report (page 37) records a total of 2,999,130 tonnes of cargo, made up of 2,985,078 tonnes of logs, 10,542 tonnes of squash and 3,510 tonnes of kiwifruit. These figures are for the year ending 31 March 2021, whereas the Statistics NZ data are for the year ending 30 June, 2021.

¹⁶For the year ending 30 June, 2021. Statistics New Zealand. Infoshare, Overseas Cargo Statistics (www.archive.stats.govt.nz/infoshare)

¹⁷Source: For the year ending 31 December, 2021. Statistics New Zealand NZ Stat Imports and Exports Tables.

¹⁸Tairāwhiti-Gisborne Region Economic Impacts of Eastland Port Operation; prepared for EPL by Sean Bevan, Economic Solutions Ltd; 25 March, 2019 (see paragraphs 4.9-4.11, pages 7-8). (This report used data for the year ending 31 March, 2018.)

cruise ship visitor spending and exporters of commodities through the port identified the following existing direct plus indirect (i.e. “multiplier”) economic impacts for the region:

- a. A total revenues impact of \$1,275 million (41% of total regional revenues);
 - b. A total household income impact of \$133 million (25% of total regional household income);
 - c. A total employment impact of 5,630 persons (26% of total regional employment); and
 - d. A total value added (or gross regional product (GRP) impact of \$425 million (23% of total regional value added).
49. Eastland Port is a significant piece of infrastructure for the local economy, helping to sustain around a quarter of total economic activity in the region. As indicated in the previous section of this report, with the completion of EPL’s proposed Stage 2 (and Stage 1) works, the port will be in a position to handle much of the region’s agricultural and horticultural exports and increased import volumes, helping to sustain upwards of 40% of total economic activity in the region.

ECONOMIC BENEFITS FROM CONSENTS BEING GRANTED FOR EPL’S STAGE 2 WORKS

Increased Employment, Incomes and Expenditure – Construction Phase¹⁹

50. Wharf 8 Extension, Reclamation and Capital Dredging. The total capital cost of these three components of the proposed Stage 2 works is \$67.6 million and is expected to be undertaken over the three year period 2023-25 (inclusive) – i.e. an average capital cost of \$22.5 million per annum. The works are expected to generate additional onsite employment averaging 50 fulltime equivalent (FTE) employees over the three year construction period with wages and salaries estimated to average \$4.5 million per annum.²⁰ Expenditure on other goods and services from local businesses (i.e. excluding wages and salaries) is estimated to be 40% of construction costs²¹ – i.e. \$9.0 million per annum. These are the direct economic impacts of the construction phase for these works.

51. However in addition to these direct economic impacts there are indirect impacts arising from:

- a. The effects on suppliers of goods and services provided to the construction works from within the Tairāwhiti-Gisborne region; and
- b. The supply of goods and services from within the Tairāwhiti-Gisborne region to employees at the site 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

¹⁹Unless stated otherwise, data in this section provided by EPL.

²⁰Wages and salaries are estimated at 20% of the construction costs for these works and the implied average wage is \$90,000 per FTE employee.

²¹Source: Tairāwhiti-Gisborne Region Economic Impacts of Eastland Port Operation; prepared for EPL by Sean Bevan, Economic Solutions Ltd; 25 March, 2019. The report estimates the Tairāwhiti-Gisborne share of total construction costs of Stage 1 is 60% but this includes 20% for wages and salaries (see page ii, second bullet point in report summary).

incomes for employees of supermarkets, restaurants and bars as a consequence of the additional expenditure by employees directly employed at the site.

52. Multipliers can be estimated to gauge the size of these indirect effects. The size of the multipliers is a function of the extent to which an area's economy is self-sufficient in the provision of a full range of goods and services and the area's proximity to alternative sources of supply. District and regional multipliers typically fall in the range of 1.5 to 2.0. The previous report covering the Twin Berth Development Stage 1 works estimated an employment multiplier of 2.08, an income multiplier of 1.85 and an expenditure multiplier of 2.02 (see paragraph 5.4, pages 8 and 9 of Stage 1 report). These are at the upper end of the range but probably reflect the comparative isolation of the Gisborne region. Using these multipliers implies total impacts (i.e. direct plus indirect impacts) during the 2023-25 construction period for EPL's proposed wharf 8 extension, reclamation and capital dredging_Stage 2 works of:

- a. 104 FTE additional jobs for local Tairāwhiti-Gisborne residents;
- b. \$8.3 million per annum additional wages and salaries for local Tairāwhiti-Gisborne residents; and
- c. \$18.2 million per annum additional revenue for local Tairāwhiti-Gisborne businesses.

53. Outer Breakwater Refurbishment. The total capital cost of this component of the proposed Stage 2 works is \$33.8 million and is expected to be undertaken over the five year period 2025-29 (inclusive) – i.e. an average capital cost of \$6.8 million per annum. The works are expected to generate additional onsite employment averaging 8 fulltime equivalent (FTE) employees over the five year construction period with wages and salaries estimated to average \$1.0 million per annum.²² Expenditure on other goods and services from local businesses (i.e. excluding wages and salaries) is estimated to be 45% of construction costs²³ – i.e. \$3.14m per annum. Using the same multipliers as used previously, the total impacts (i.e. direct plus indirect impacts) during the 2025-29 construction period for the outer breakwater refurbishment works are:

- a. 17 FTE additional jobs for local Tairāwhiti-Gisborne residents;
- b. \$1.9 million per annum additional wages and salaries for local Tairāwhiti-Gisborne residents; and
- c. \$6.3 million per annum additional revenue for local Tairāwhiti-Gisborne businesses.

Increased Employment, Incomes and Expenditure – Operational Phase

54. Without the Stage 2 project, exports through the port are expected to be capped at around 10% above current levels. When the Stage 2 facilities are operational (in part from 2025 and fully operational from 2029), the Port will be able to facilitate the export of the growing log trade and feed a coastal shipping container service. Utilising data

²²Wages and salaries are estimated at 15% of the construction costs for these works and the implied average wage is \$127,500 per FTE employee.

²³Source: Tairāwhiti-Gisborne Region Economic Impacts of Eastland Port Operation; prepared for EPL by Sean Bevan, Economic Solutions Ltd; 25 March, 2019. The report estimates the Tairāwhiti-Gisborne share of total construction costs of Stage 1 is 60% but this includes 15% for wages and salaries (see page ii, second bullet point in report summary).

contained in an earlier report ²⁴it has been estimated that the Stage 2 project's direct plus indirect impacts will be \$71 million per annum additional revenue, \$20 million per annum in additional income and 245 additional jobs for the local economy.

55. The tenders transporting passengers from cruise ships visiting the Tairāwhiti-Gisborne region are cater for at the Pier Three development, which was completed in September 2018 and provided better accessibility for cruise ship passengers, a tailored berth for waka hourua Tairāwhiti and upgraded marina facilities. Therefore the Stage 2 works will not impact on cruise ship visitor numbers.

Economic Benefits from the Retention of/Increases in Economic Activity

56. As indicators of levels of economic activity, economic impacts in terms of increased expenditure, incomes and employment are not in themselves measures of improvements in economic welfare or economic wellbeing. However, there are economic welfare enhancing benefits associated with increased levels of economic activity. These relate to one or more of:

- a. 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;
- b. Increased competition: Increases in the demand for goods and services allow a greater number of providers of goods and services in markets and there are efficiency benefits from increased levels of competition;
- c. Reduced unemployment and underemployment²⁵ of resources: To the extent resources (including labour) would be otherwise unemployed or underemployed, higher levels of 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 underutilized resources within the local economy at the time and the match of resource requirements and those resources unemployed or underemployed within the local economy; and
- d. Increased quality of local and central government provided services: Sometimes the quality of services provided by local and central government such as public amenities, education and health care are a function of population levels and the breadth and quality of such services in a community is higher with higher levels of economic activity, particularly to the extent they lead to or maintain higher levels of population.

57. The additional expenditure, employment and incomes generated during the construction and operational phases of EPL's proposed Stage 2 works will give the Tairāwhiti-Gisborne region greater critical mass and as a consequence local residents and businesses will benefit from economies of scale, greater competition, increased resource utilisation and possibly better provision of public services.

Summary of Region's Economic Activity Potentially Sustained by Expanded Port Facilities

²⁴ Tairāwhiti-Gisborne Region Economic Impacts of Eastland Port Operation; prepared for EPL by Sean Bevan, Economic Solutions Ltd; 25 March, 2019.

²⁵ 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.

58. Currently Eastland Port helps sustain around 25% of total economic activity in the Tairāwhiti-Gisborne region – see earlier in this report with the export of logs, sawn timber and small amounts of vegetables and fruit together with the facilitation of cruise ship visits covering 25% of regional household income, 26% of regional employment and 23% of regional GDP. If the completion of Stage 2 of EPL's Twin Berth Development program is successful in attracting a coastal container service for the export of a significant share of the region's agricultural and horticultural exports, the Port would eventually help sustain upwards of 40% of the region's economic activity, based on primary industries and primary product processing industries generating around 43% of the region's total employment²⁶, faster growth in these industries compared to the remainder of the regional economy and the coastal container service possibly attracting some of the region's required imports.

Transport Efficiency Benefits

59. The Stage 2 project by enabling a coastal container service via the port will provide an alternative to road/rail transport and generate transport cost savings for local exporters of agricultural (including horticultural) products and importers of some products. These transport cost savings will increase the competitiveness and profitability of local businesses.

60. As well as facilitating an increase in the diversity of trades through Eastland Port, the Stage 2 works will also increase the resilience of the port to safeguard the existing trade through the port – predominantly the log trade. Without the Stage 2 works, EPL consider that the log trade through the port will be capped at around current levels plus 10%. Growth in log exports through the port beyond this level would not be possible. Because logs are a low value, high volume product, the economics of exporting logs is very sensitive to transport costs. Therefore limiting log export volumes through Eastland Port would reduce margins for exporters who would be required to utilise alternative ports (e.g. Tauranga or Napier) and most likely reduce the volumes of the region's logs harvested if the Stage 2 works do not proceed.

61. The Stage 2 works will also reduce road transport externality costs – i.e. road transport vehicle emission costs, road accident costs and congestion costs. Maritime shipping is the world's most carbon efficient form of transporting goods and far more efficient than road transport. Data from the World Shipping Council²⁷ suggests that the carbon emissions for a large container vessel (14,000 twenty foot equivalent units (TEUs) average around 3 grams per tonne-kilometre, as compared to an average of 80 grams per tonne-kilometre for road transport. A coastal container vessel would be smaller in size than the larger international container vessels and therefore potentially not as fuel efficient. However there will still be a significant reduction in the carbon footprint for the Tairāwhiti-Gisborne region's exports and imports as a consequence of the completion of the proposed Stage 2 works.

Increased Efficiency, Competitiveness and Profitability for Tairāwhiti-Gisborne Region's Exporters and Importers

62. By improving the economic efficiency of the primary sector and primary products processing industries within the region, EPL's proposed Stage 2 works will help these industries and those supplying goods and services to be more efficient and therefore more profitable. This is likely to help maintain and/or enhance the "critical mass" of the

²⁶Primary industries and primary product processing industries account for 38.8% of the region's employment and this increases to 39.0% with the inclusion of an estimated 54 jobs created by cruise ship visits.

²⁷<http://www.worldshipping.org/industry-issues/environment/air-emissions/carbon-emissions>

local economy. It may also attract new industries to the Tairāwhiti-Gisborne region, enhancing economic growth and employment, as well as broaden the economic base of the local economy, making it more resilient to downturns in international commodity price cycles.

Regional Economic Benefits from EPL Dividends and Distributions

63. Increasing the scale and breadth of Eastland Port's operations will increase EPL's profitability and the returns to its shareholder, Trust Tairāwhiti. Because Trust Tairāwhiti's distributions benefit the residents and businesses of the region, increased profitability for EPL is a relevant consideration under the RMA. In the financial year to 31 March 2021, Eastland Group, of which EPL is a part, returned \$10.1 million to its shareholder, Trust Tairāwhiti. Returns to the Trust have totalled more than \$138 million over the past 18 years. EPL's contribution in the year to 31 March 2021 was \$4.465 million and its total contributions in the past 18 years has been \$29.66 million.
64. In addition, EPL itself has a program of sponsorships and scholarships covering in particular water-based athletes, the environment and the community. Included in this program are:
- a. Sponsorship of the Eastland Port Champion of the Bays surf lifesaving and the Ocean Warrior paddle board and swimming championships;
 - b. Six \$1,000 annual sponsorships to athletes across a range of water-based disciplines;
 - c. Financial support of Enviroschools, a programme that has helped thousands of students from local schools think and act sustainably and care for the environment. As part of this, EPL and its staff are involved in a number of wai restoration programmes to help restore the health of local streams, planting thousands of native plants and involving students and the wider community.
 - d. An ongoing partnership with Sustainable Coastlines, Plastic Bag Free Tairāwhiti and local schools on a range of litter monitoring projects at local beaches.
 - e. Support of Gisborne City Vintage Railway and their historic Wa165 steam locomotive, which is a popular attraction with locals and tourists. EPL continue to contribute towards upgrades to the track in the inner harbour.
 - f. As part of Gisborne District Council's Titirangi Restoration project, EPL sponsored and built a new walking track, named Turanga by Ngati Oneone, which runs along the base of Titirangi/Kaiti Hill. EPL staff and whānau planted 1,000 natives to enhance the area.
 - g. Eastland Group tertiary engineering scholarships – up to five scholarships a year are awarded to engineering students from the Tairāwhiti-Gisborne region. These are worth \$5,000 a year (recipients can receive up to \$20,000 over four years). They recipients also gain work experience across Eastland Group's business sectors, including Eastland Port.
65. The proposed Stage 2 works will help underpin EPL's ability to maintain and expand its program of community sponsorships and scholarships.
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POTENTIAL ECONOMIC COSTS FROM CONSENTS BEING GRANTED

Utilities

66. Sometimes economic costs for business and residential ratepayers can arise, where a developer does not meet the full costs of Council provided services. However the proposed Stage 2 works will not require the cross-subsidization of EPL by other Tairāwhiti-Gisborne ratepayers. Water supply, wastewater disposal and other services provided by the Council will be paid for via user charges and rates, whilst vehicles travelling to and from the port will meet road operation and maintenance costs via road user charges and petrol taxes.

Local Road Congestion Costs

67. The transportation assessment report²⁸ concludes that the congestion and safety effects of the project on the local road network are manageable if the existing SH3/Hirini Street intersection, which is currently operating beyond its capacity, is upgraded.

CONCLUSIONS

68. EPL's proposed Stage 2 works:

- a. Will enable the residents and businesses of the Tairāwhiti-Gisborne region *“to provide for their ... social (and) economic... well being”*;
- b. Are consistent with *“the efficient use and development of natural and physical resources”*; and
- c. Will provide opportunities for employment and economic growth within the Tairāwhiti-Gisborne region.

²⁸ Eastland Port Limited Transportation Assessment Report; East Cape Consulting; March, 2022.
