Ashbourne Development Fast Track Approvals Act Application; a Review of Economic Analyses

Tim Denne, 28th November 2025

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1 Introduction

1.1 Background

I have been asked to review the economic analysis submitted as part of the application for the Ashmore development under the Fast Track Approvals Act 2024 (FTAA) and the review by the expert on behalf of the Matamata-Piako District Council (MPODC). This comprises:

1. an initial report by Insight Economics (IE) for the applicant;[1]

2. a Peer Review Memorandum by Property Economics (PE) for MPDC;[2]

3. a response to the memorandum from IE [noting the report I have seen is dated after the Tim Heath evidence];[3]

4. a Statement of Evidence by Tim Heath of Property Economics on behalf of MPDC dated 11th November 2025;[4] and

5. additional economic memoranda from Tim Heath dated 27th November 2025[5] that were in response to a request from the Panel.[6]

1.2 Summary of Issues and Comments

1.2.1 Issues

The discussion between IE and PE focuses on the following issues:

1. the approach to analysis which both considered appropriate;

2. whether there is a sufficient housing supply shortfall to justify the size of the development, particularly when the proposal is for a development outside of the land currently anticipated or zoned for development in the District Plan;

3. the costs of displacing agricultural use of highly productive and (HPL) surrounding Matamata, and whether there should be physical limits on its use; and

[1] Colegrave F, Chaumeil D and Keith N (2025) *Economic Impact Assessment of Proposed Ashbourne Development in Matamata.* Final Report prepared for Matamata Development Limited. 23 June 2025.
[2] Property Economics (2025a) Ashbourne Fast Track Economic Impact Assessment Peer Review Memorandum. Report for Matamata District Council. September 2025.
[3] Insight Economics (2025) *Response to Evidence of Timothy Heath on behalf of MPDC – Ashbourne Fast Track.* Technical Memo. 18 November 2025.
[4] Statement of Evidence of Timothy Heath on Behalf of the Matamata-Piako District Council (Economics). Before an Expert Consenting Panel in the Matter of the Fast-Track Approvals Act 2024 (the FTAA) and in the Matter of Ashbourne (FTAA-2507-1087)
[5] Heath T (2025b) Economic Memorandum to Expert Panel FTA re: Minutes of the Expert Panel – Residential Capacity Sufficiency Response; and Heath T (2025c) Economic Memorandum to Expert Panel FTA re: Minutes of the Expert Panel – Responses to Economic Queries.
[6] Ashbourne Expert Panel (2025) Minute 3 of THE Expert Panel Request for Information Ashbourne [FTAA-2507-1087] 21 November 2025.

4. the costs and funding of infrastructure to service the development, and whether it poses a financial risk to the council.

1.2.2 Commentary

In contrast to IE and PE, I have a different view on the appropriateness of the methodology, which I do not regard as providing the panel with a good understanding of the economic benefits of the proposal. It measures the economic activity associated with the development but not the balance of costs and benefits, including whether the resources required would otherwise be employed elsewhere. A cost benefit analysis (CBA) is required.

In respect of the three issues raised (points 2 to 4 above), I suggest the following.

- The argument over whether there is sufficient development capacity fails to take account of the dynamics of the housing market. Even if there is over-supply at current prices, prices would be expected to adjust in the medium-term so that the market will find a new equilibrium with more people in their own houses.

- The land that would be occupied by the development is classified as Highly Productive Land and is currently used for dairy farming. There appears to be no reason why land price would not reflect the full value of this land. It does not appear to have any public good attributes and is not of any national strategic importance. It is more likely to be over-valued because the market price fails to account for environmental effects of dairy farming.

- The key economic issue for infrastructure is not who pays, but whether the project would be viable if the developer did pay the full cost of infrastructure. The analysis provided by IE is insufficient to address this question and this is a critical gap.

More generally, the IE analysis is non-transparent, with data unreferenced and statements made about project benefits without supporting evidence.

1.2.3 Significance of the project

Analysing the project against four suggested criteria suggests it shows no evidence of providing significant regional or national benefits.

- The data provided suggest no more than that it will produce a normal profit for the industry.

- It is not using underutilised infrastructure or other resources.

- There is no evidence provided of expected significant spillover effects.

- It is not transformational in the way that major transport, irrigation or major new industry projects might be.

2 Analysis to date

2.1 Insight Economics

The original Insight Economics (IE) report describes the project and how it will meet demand for residential and retirement village demand in the context of a growing Matamata population that is lower income and older than the national average. IE's assessment is that supply shortages will be realised sooner than MPDC estimates and/or that the provision of more high-quality housing will lead to an increase in total housing occupation.

IE suggests the proposed development would be an extremely significant increase in development capacity, with small section sizes, providing more affordable housing, and a a "master planned community" it would also include infrastructure, amenities, solar farms and commercial spaces. The analysis then estimated the expected economic impacts in quantitative and qualitative terms.

2.1.1 Quantitative Analysis

The quantitative analysis includes one-time impacts of development, and the ongoing impacts of the housing, retirement villages and solar farms, set against the costs of foregone land use.

One-off impacts

The short-term impacts of initial construction are measured in terms of the impacts on GDP (measured as value-added) and employment, plus the wider effects using multipliers. The analysis also includes the impact on GST, although it is not clear why.

- Value-added is described (p11) as "the difference between a business' inputs (excluding wages and salaries) and the value of its outputs". Because I will discuss the treatment of payments to workers below, it is useful to be clear that this means value-added includes (1) the firm's profit if it had no labour costs plus (2) the sum of the wages and salaries paid.

- Multipliers are used to estimate the value-added impacts in other sectors. IE state that they use "the latest economic multipliers" without explaining the source of these.

In Section 3.2 below I discus why I think this is the wrong approach to analysis. However, for now I summarise what IE has done.

The costs of residential development, retirement village and non-residential facilities including solar farms are listed in tables (and summarised in Table 1). The sources of these costs are not provided, including the basis for the 2% and 20% of construction costs assumptions used for "Planning, designing and consenting" and "Infrastructure and civil works" respectively.

Table 1 Summary of project costs

Facility	**Cost ($m)**
Residential developments	$255
Retirement villages	$95
Non-residential – hospital etc	$33
Solar farms	$34

Sub-Total	**$417**
Planning, designing and consenting @ 2% of $417m	$8
Infrastructure and civil works @ 20% of $417 million	$83
Total	**$509**

Note: presumably the total is different from the sum of components because of rounding

Source: Colegrave et al (2025), Section 6.3

Multipliers are used to calculate the impact on employment, wages and GDP. The multipliers (that are not provided or sourced) will be ratios between the development costs and jobs, wages and value-added. This calculation is not shown, but presuming the unsourced multipliers are credible and the calculations done correctly, this is a standard approach for this kind of economic impact analysis (EIA). Table 2 summarises the results, including a calculated line not in the IE paper of the contribution to GDP from business profit (or the difference between a business's inputs (excluding wages and salaries) and the value of its outputs).

Table 2 Summary of one-time economic impacts over seven years

	Direct	Indirect	Total
Annual jobs	128	283	411
Annual FTEs	122	263	384
Total wages ($m)	$73	$157	$230
Other GDP contribution ($m)	$27	$116	$143
Total GDP ($m)	$100	$273	$373

Source: Table 10, p14 in Colegrave et al (2025) plus calculation for Other GDP contribution

IE goes on to estimate the expected employment impacts by sector, presumably (but not explained) based on the input-output tables used for the multipliers.

On-going employment

Continuing employment at the site was estimated in different ways:

- Commercial node: using an "industry-standard worker density", the source of which is not provided.
- Solar farms: based on a review of >20 comparable solar farm projects, with no detail provided;
- Retirement village: estimated from a national ratio derived from a cited credible source (StatsNZ), notable for its rarity in the report.

The same multipliers were used to convert these employment numbers into estimates of GDP and wages/salaries (see Table 3).

Table 3 Summary of annual economic impacts after full build out

	Total
Annual FTEs	108
Total wages ($m)	$8.2
Other GDP contribution ($m)	$3.8
Total GDP ($m)	$12

Source: Section 7.3 in Colegrave et al (2025) plus calculation for Other GDP contribution

In section 11.4, IE estimates the expected local spend by residents of the proposed development, amounting to $74,400 per household and a total local spend of $38.5 million. These are calculated using the average spend in the Household Economic Survey for general residential households. Even if this was a useful metric, this is not obviously the right data to use from the survey, given the earlier assertion that the local population is older and lower income than average, and that the housing is more affordable to reflect this. The spending of retirement village occupants has been reduced by one third. This might be a valid adjustment, but it is not supported by any explanation or reference.

Comment

This is a simplistic and untransparent analysis. Data have been compiled on costs; these are not sourced and infrastructure costs are based on simple multipliers. The contributions to GDP are then estimated using unsourced and generalised multipliers in a way that means the "benefits" will simply increase with costs. Higher costs would yield higher estimates of GDP contribution. This is a critical problem with this kind of analysis, that I discuss in Section 3.2.

The flow on effects in other sectors uses multipliers that reflect an assumption of available and idle resources, rather than this resulting in a shift in activity from other industries and an offsetting reduction in GDP elsewhere in the economy.

The infrastructure costs and their funding is an issue of contention, and I argue later that the critical question is whether the developer could afford to pay the full costs of infrastructure and still have a viable project. The numbers provided give no help with that question as, it appears that the multipliers are applied to the total costs of the project, so that greater infrastructure costs would result in more measured company profit.

2.1.2 Qualitative Analysis

Residential

In addition to the estimates of impacts on employment, wages and GDP, IE notes some effects which they discuss in qualitative terms. This includes the following.

- Economic & social benefits of master-planned communities, including the more efficient development of infrastructure alongside the other developments, plus economies of scale enabling bulk purchase of materials.
- Job creation, including long-term local jobs
- Superior urban design and community cohesion that includes walkability & accessibility, integrated amenities, increased social interaction and safer communities.
- Socioeconomic benefits of retirement villages.

What is not clear from this description is whether these factors have been accounted for in the estimation of costs, dwelling price and the uptake rates for the dwellings, such that this is more of a commentary, or if these are somehow additional positive factors that should be considered

alongside the quantitative analysis. For example, the more efficient development of infrastructure and the economies of scale from bulk purchase would be expected to have been considered in the estimates of costs (Table 1) but this is not made clear.

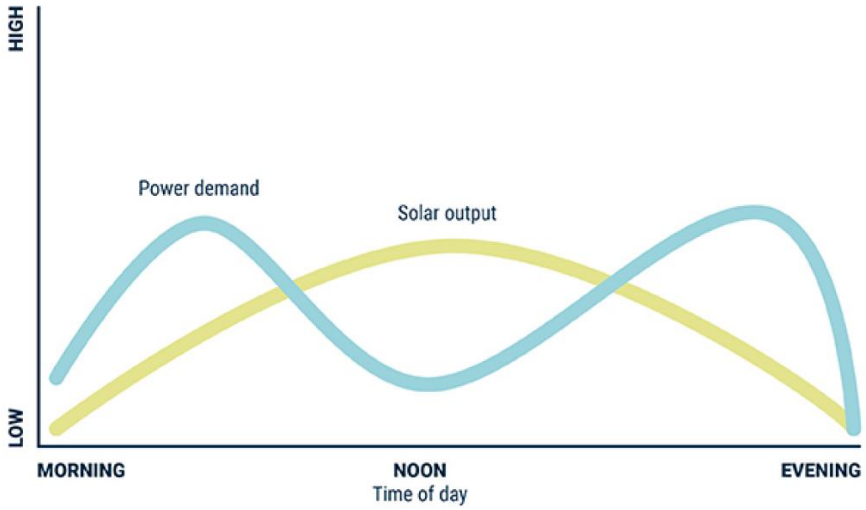
Solar farms

The suggested benefits of solar farms, particularly those designed as agrivoltaics systems with animals grazing under the panels, include:

- lower electricity prices, particularly through solar generation in peak periods;
- diversifying the regional energy mix, reducing dependence on fossil fuels, providing greater price stability and resilience against fluctuations in global energy markets. Also, the proximity to Matamata enables distributed generation, reducing transmission losses;
- emission reductions (including greenhouse gases and local pollutants with health effects), including the claim that an 'acre' (sic) of solar panels can offset more carbon than the same area in carbon-sequestering trees; and
- Increasing pasture growth and thus producing higher yields.

These statements are all questionable and are presented without justification. For example, the impact of solar on electricity prices needs to be seen relative to the load profile for residential electricity demand. The Electricity Authority provide a stylised diagram (reproduced as Figure 1) to illustrate the general point that solar is not producing most power at peak demand periods (which are not at noon as IE claims). That said, solar generation is more coincident with some commercial demand profiles, including retail.[7] The claims made require proper analysis, rather than the unqualified statements provided.

Figure 1 Solar generation versus typical household power use



Source: Electricity Authority https://www.ea.govt.nz/your-power/solar-power/

[7] Energy Efficiency and Conservation Authority (2021) *Commercial-scale solar in New Zealand An analysis of the financial performance of on-site generation for businesses*.

The claim that solar (or renewables in general) will increase price stability is not justified. Solar generation, along with wind and hydro, is affected by weather, whereas fossil fuel generators can produce at a constant rate, with supply cost fluctuations reflecting fossil fuel price changes. All that said, the electricity industry is used to managing supply volatility, with hedge contracts a common component to limit price volatility. Again, the claims made require justification.

The suggestion that the farms will reduce transmission losses depends entirely on their being embedded in the local distribution network, rather than connected to the transmission network. This has not been discussed or demonstrated.

The emission effects will also be more complex than suggested, with the impact depending on the marginal fuel that otherwise would be generating. The claim made that "*an acre of solar panels can offset more carbon emissions per year than an acre of carbon-sequestering trees*" cites a US website, where the electricity generation profile will be different (and more fossil fuel dominated) and the growth rate of trees slower.

This claims across the whole section of the benefits of solar are not justified by the scant evidence provided.

Commercial Node

Curiously, the discussion of the commercial node and its competition effects sets out to demonstrate that it will not add to local competition, with associated consumer benefits. Rather, it suggests the commercial hub will not affect the Matamata town centre. This may well be the case, but it curious that this is discussed as though it is a benefit of the proposal in an economic assessment.

Forgone rural production

The analysis grounds its discussion in regulatory requirements of the NPS-HPL rather than the economics of land opportunity costs. Fortunately, the analysis moves on to discuss land values foregone using the Total Economic Value TEV) framework. This uses the work of Patterson (2013)[8] The productive land values are used as the main input to this analysis and then the ratios of food production values to the other elements of TEV are used to scale up the productive values identified by IE. There are problems with the production values used and the calculated multipliers.

- The productive land values appear to have been estimated using a simple average of the per hectare values of land used for hay & bailage, sheep & beef and dairy. However, the area surrounding Matamata is predominated by dairy farms, so I would have thought 100% dairy would been a better assumption. No land use data are provided to justify the assumed mix.

- The main component of TEV included in the analysis is waste treatment. This is the value that agricultural land provides in processing wastes that include animal excrement, agricultural chemicals, fertilisers and dairy shed wastes.[9] However, to

[8] The work appears to be that of Patterson and Cole, ie Patterson MG and Cole AO (2013) Total Economic Value' of New Zealand's land-based ecosystems and their services. In Dymond JR ed. Ecosystem services in New Zealand – conditions and trends. Manaaki Whenua Press, Lincoln, New Zealand.
[9] Patterson and Cole (2013)

include this as a benefit of the land is inappropriate without first counting the cost that the wastes would otherwise produce. Using this approach, producing waste and then cleaning it up would produce greater value because only one (the cleaning up) side of the equation is being counted.

I discuss these issues in Section 3.4.

Wider Economic Impacts

The wider economic impacts include some of the preceding benefits, eg best use of the land (covered by the land opportunity costs included in the TEV analysis above), plus

- a suggestion of an increase in business confidence in the local economy; and
- the absence of potential (infrastructure) costs for the council, based on its ability to levy the developer for infrastructure or other costs imposed.

Increasing business confidence is a measure of market sentiment and the result would be expected to be that of investors making investments with a higher risk profile. The net returns are not readily quantified.

The issue of infrastructure costs I discuss in more detail in Section 3.5.

2.2 Property Economics

Property Economics (PE) provided a peer review of the IE work and further comments on IE's response that simply repeat these arguments. It regards the approach to analysis as appropriate but criticises IE's work for the following issues:

- its assessment of the capacity need and because the development would occur on an area not currently anticipated for development under the District Plan. The author argues that in the absence of a clear need for development capacity "*priority should be given to intensifying existing urban areas, especially around the town centre, and to sequencing development in line with identified future growth areas*." He goes on to suggest that "*enabling large-scale capacity where it is not required risks undermining the viability of existing and anticipated residential growth areas (and committed infrastructure investment), while also imposing additional infrastructure costs to service a "significant" but potentially unnecessary development*".[10]

- the assessment of opportunity costs of using highly productive land (HPL). PE suggests this becomes a particularly important consideration when there is no under supply of housing capacity.

- the requirement for infrastructure that would be vested in the council. They suggest that this could divert resources away from other infrastructure investments that are already planned. PE argues that the council investment in infrastructure would only be justified (or the risk mitigated) if "there is clear evidence of additional residential capacity being required." PE suggests that the existence of funding mechanisms to recover costs does not mean they will be fully recovered.

[10] Property Economics (2025), p5

I discuss these issues in Section 3.

2.3 IE Response

IE disputes all of these criticisms, making some new arguments.

- **Demand issues**: IE challenges the assertion that housing capacity is sufficient, suggesting that the council's capacity assessment is unreliable (Issue 1 in the IE memo). They further suggest there is under-supply of retirement village capacity (Issue 3). In addition, IE argues that there are benefits from over-supply. The provision of housing supply ahead of demand has efficiency advantages and would result in lower prices from the increased housing competition (Issue 2).

  They suggest that, because of higher quality, master-planned developments can release latent demand and attract new residents. This will not be at the expense of growth in other areas, and therefore not simply re-distribute the growth benefits but will "expand the overall pie of growth" (Issue 2 and 5). I discuss the demand issues in Section 3.3.

- **Land opportunity** costs: IE asserts that the value of the new development is greater than the existing agricultural land use and that the analysis should not try to identify better land for development that does not displace highly productive land (HPL) (Issue 4). I discuss this issue more below in Section 3.4.

- **Infrastructure costs for council:** IE disagrees with the assertion that the infrastructure requirements of the proposal expose the council to funding (or cost) risk (Issue 6). IE repeats the suggestion there are several funding mechanisms available that can ensure the developer or future property owners bear the cost rather than general rate payers. I discuss this more in Section 3.5.

- **Overall economic efficiency:** IE pushes back against the assertion that the project does not have overall benefits, taking account of the full set of opportunity costs, including the opportunity costs of lifestyle land (Issue 7). We discuss this further in Sections 3.2.

2.4 Additional PE Comment

Tim Heath of PE provided additional comments in two *Economic Memoranda* dated 27th November in response to a request from the Panel for an evidence-based response to IE's claims about residential capacity sufficiency. One addressed capacity sufficiency and the other economic queries.

The capacity sufficiency response revisited the basic arguments between the to parties over whether sufficiency capacity exists. On this matter, I am more persuaded by the IE argument that demand is dynamic and that price will adjust to levels of supply. Demand assessments at current prices fail to consider these dynamics.

Tim Heath also readdresses the question of HPL, and suggests that it is appropriate to consider other, better sites for development, rather than considering this site in isolation. I discuss this issue in Section 3.4 below.

The other comments in the memoranda address other details of the analysis but there is nothing substantial relating to the main arguments, that I discuss below.

3 Review of the Analysis

3.1 Overview

In this section I assess the various economic analyses focussing on:

- the overall analytical approach – the use of EIA to estimate impacts on GDP; and
- the three specific areas of disagreement
    - capacity assessments and how to address them
    - land opportunity costs; and
    - infrastructure costs and their funding.

3.2 The Analytical Approach

3.2.1 The Analytical Task

The FTAA sets out the requirements for economic analysis. This includes:

- the criteria for assessing an application. These are that the project would have "**significant regional or national benefits**" (22(1)(a));
- the things the Minister may consider in assessing this, including *inter alia*, whether the project will deliver **significant economic benefits** (22(2)(iv)); and
- the reasons for declining approvals, which include adverse impacts (85(3)(a) **that are sufficiently significant** to be out of proportion to the project's regional or national benefits (85(3)(b)).

These matters are not clearly defined in the legislation and there are different views on what constitutes a benefit or how to measure it. IE and PE are both of the opinion that national or regional benefit can be defined as an increase in GDP, either nationally or locally, as analysed using an EIA. This is not a universally held view by any means. The contrasting view is that a benefit, or economic benefit, is best defined as an improvement in the wellbeing of people, i.e. that in aggregate, people's lives are improved. Measuring changes in wellbeing is the focus of an alternative economic analysis technique: CBA.

The NZ Treasury asserts that "*EIA differs from CBA in that it measures the economic impact of a project, that is to say the activity generated, rather than the net benefit created*"[11] and that "*EIA can provide useful contextual information for decision-makers, but it is not suitable as a tool for measuring the balance of costs and benefits of a decision to society*."[12] I would suggest that such a balance or net amount (benefits minus costs) is exactly what the requirement is for the

[11] The Treasury (2015), p54
[12] ibid

analysis under the FTAA. I note that the suggestion for use of a CBA rather than an EIA has also been made by Auckland Council in its response to the proposed Delmore housing development in Orewa.

3.2.2 EIA vs CBA

Measuring the GDP effect involves assessing the total economic activity associated with a project, including estimated company pre-tax profit (excluding wages) and the payment of wages and salaries as an additional benefit. However, this is largely ignoring the opportunity costs that are a measure of the value of these resources in some other activity, in the absence of this development.

The analysis has looked at some opportunity costs by evaluating the value of the land in agriculture but has not examined the opportunity costs of other resources, including labour and capital. This applies particularly to the use of the multiplier effects, which we discuss below.

EIAs estimate increases in output, income, and employment by assuming fixed relationships between industries — for example, a certain amount of steel or timber for construction always requires a certain amount of labour and other inputs. However, this static structure overlooks the underlying opportunity costs: resources used by the project (land, capital, skilled labour) cannot be used elsewhere. GDP-based impact studies therefore measure gross activity, not whether the activity represents a genuine change in the overall wellbeing of a community or nation. They also generally ignore the cost of capital, treating investment dollars as if the cost is equal to the up-front investment amount, rather than there being an additional cost as the investment funds are diverted from alternative uses that might generate higher returns.

In contrast, cost–benefit analysis (CBA) explicitly weighs the full economic value of the benefits against all relevant costs — including hidden or displaced costs. CBA asks whether society as a whole is better off once the resources required are taken into account, and it discounts future impacts to reflect the time value of money and the cost of capital. Rather than assuming that additional spending is automatically beneficial, it recognises that projects can crowd out other economic activity or lead to inefficient allocation of resources. For decisions affecting communities or nations, CBA provides a far more meaningful assessment of net benefits because it evaluates changes in wellbeing, not just changes in measured activity.

Some of the main differences in approach include the following.

- The inclusion of consumer surplus (CS) in the assessment of benefits in a CBA. The CS is the benefit a consumer obtains and is measured as the difference between what they pay for something and their willingness to pay (WTP). It is relevant to the analysis here because we are expecting people to purchase the new Ashbourne housing in preference to their existing housing, or alternatives. This suggests they will obtain some CS by moving that is greater than what they would obtain elsewhere.

- The treatment of wages and salaries as an opportunity cost. Payment of a wage is effectively a transfer payment. It is a cost to the employer and a benefit to the employee. However, what is lost to society when new employment arises is the benefit of what the worker would have been doing otherwise. If there is significant unemployment, this might be very little (but wages are never a benefit themselves –

the societal benefit is in what the worker produces), but if there is relatively high employment in the economy, we can assume that the person is displaced from some other activity and the wage rate represents the cost to society of the loss of productive activity.

- The use of a time value of money in CBAs. When developments involve costs and benefits which occur over several years, these values are discounted to represent the time value of money. This reflects the fact that society's resources could have been invested in some other activity to produce a stream of future benefits or to reflect community preferences for benefits that come sooner in time. This is relevant to this project where the investment costs are up front but the stream of benefits are in the future, after the development has completed.

- The exclusion of multiplier effects in CBAs. Multipliers usually represent the average level of activity in another industry (the indirect effects) associated with increased activity in the industry or sector being analysed (the direct effects). In an EIA it is assumed that the marginal indirect effects of an increase in activity in one sector (one more housing development) are equal to the average effects of the economy in its current equilibrium. This is extremely unlikely and would imply that there are idle resources ready to be allocated to this new downstream or upstream activity. In a CBA, it is usually assumed that these other industries are operating efficiently and that there are no idle resources; multipliers are assumed not to exist, apart from in certain circumstances.

  NZ Treasury puts it like this: "Proponents of projects often claim that their projects have multiplier effects. They claim that the expenditure on the project provides income for construction workers and for operating and maintenance staff, who will spend their wages and create income for local businesses, which in turn will spend their income and create income for other businesses, etc. This thinking either assumes that there are significant unemployed resources available, or it ignores the fact that the new activity displaces other activity that would have occurred**. Unless there is significant unemployment of people with the requisite skills, it is therefore likely that multiplier effects do not exist**" (emphasis added).[13]

A CBA would produce very different results. The developer would be expected to make a normal level of profit, which would be the expected cost of capital. Any profit level above that (net of effects not priced in the market, such as environmental impacts) would be part of producer surplus (PS) and a benefit to the region and nation. We do not have information to assess this, but it might be derived from experience of other similar developments.

The benefits would comprise the consumer surplus for the purchasers of the properties, which is the difference between their willingness to pay for the property and the sales price. This would require more detailed analysis of the local housing market and expected price elasticity. This kind of analysis has not been included.

[13] p19 in NZ Treasury (2015) *Guide to Social Cost Benefit Analysis*.

3.2.3 Significance

IE describes the project as having significant economic impacts, but this is not using any criteria to define significance. Previously I have suggested possible criteria might include the following.[14]

1. It is of a **large absolute size**, ie the measured (net) benefits exceed some threshold, in net present value (NPV). Such a threshold might be different for individual regions versus a project of national significance.

2. It makes use of **significantly underutilised resources** including spare infrastructure or network capacity, so that relative costs might be lower than usual for a large development.

3. It produces **large spillover effects** in other markets, eg agglomeration economies, knowledge transfer and innovation, or increased labour mobility, so that the benefits extend well beyond the immediate project.

4. It has **transformational effects** in the wider economy, eg inducing other investment, enabling new industries, or transforming urban environments, so that the wider benefits may be even more significant in the longer run.

Comparing this project against these criteria suggests the following.

Absolute size

An assessment of the net benefits of a project within a CBA, entails assessing the size of the expected producer and consumer surpluses (PS and CS). The data provided are not sufficiently project-specific to estimate the expected PS. IE has used multipliers based on average effects of residential development, so to analyse these would suggest no more than that the project would provide a normal level of profit for the industry. If this is so, then there is no additional producer surplus – the returns to investment will cover the industry-specific risk-adjusted costs of capital.

The CS would depend on whether the project is offering housing at a lower price relative to the consumer value of the housing than is available in other housing options for the region. There is no data available on this beyond the statements that IE provided on the additional benefits of master planned communities. For this to produce a CS would require that the price is not increased to match. The analysis does not help with this assessment.

We are left with no suitable data to make this assessment so must turn to other criteria.

Significantly under-utilised resources

The project does not appear to e using currently under-used capacity in infrastructure or other resources. Rather it will require new infrastructure and will displace existing land uses.

[14] Denne T (2025) Delmore Fast Track Approvals Act Application – Review of Economic Analyses. Resource Economics. www.fasttrack.govt.nz/__data/assets/pdf_file/0004/10111/TD-Delmore-Economics-Review-130825.pdf

Large spillover effects

IE has suggested some local effects from the concentration of housing in a location near Matamata, including the suggestion that a "large-scale project can attract additional investment and act as a catalyst for complementary developments."[15] However, no evidence is provided to support this theoretical position.

Transformational effects

The project is different from other housing in the region, but will not otherwise transform the region, such as might occur from significant transport projects (think 'Auckland Harbour Bridge'), irrigation schemes or major new industries that attract others.

General conclusion

There is little evidence that this project would meet any of these criteria for providing significant regional or national benefits. Rather, it is a larger than usual housing development in a rural area that will expand the size of Matamata but not in any identifiably significant way.

3.3 Assessing the Demand for Housing

PE argues that the proposed development is effectively too big and is not being developed in step with the current planned or anticipated housing zones. This raises the broader question of how to consider 'disruptive' developments that may make significant changes to local markets, when compared to smaller projects which simply make small incremental additions. IE points out that there are scale efficiencies from the larger development and that it is offering greater amenity and community values to residents, compared with current housing options.

In discussing this, it is important to remember this is an economic analysis only. The zoning issues are irrelevant. The economic analysis of the project stands or falls on its own merits.

- The developer is making a commercial decision to build this large development, so we might reasonably assume there is demand for the accommodation it will provide.

- The development will be competing with other housing to meet demand and will add to total supply. For it to compete successfully, we can assume it is price competitive for the amenities offered. If the addition to total supply results in a net supply surplus at current prices, house prices would be expected to fall or grow more slowly in the future. In the medium term we might expect supply and demand to balance again, with additional people entering the housing market rather than rent or share houses.

- Thus, demand is not fixed, it interacts with price so that the market reaches an equilibrium.

- To the extent that the supply of housing at Ashbourne is additional to demand at current pricing, I would expect the sales estimates to reflect the market price expectations after the adjustment to total supply in the local and regional market.

In this context, demand assessments as made by the council may be a useful planning tool, e.g. to project future infrastructure needs, but they are not reflecting some optimal level or location

[15] P52 in Colegrave et al (2025)

of supply. The analysis should reflect a more dynamic market that is price responsive to supply-demand balances. Under such an analysis, static demand assessments are not that useful.

In addition, I suggest the argument between IE and PE over the existence or not of supply constraints should give some weight to the fact that a developer with real skin in the game is proposing an investment in this market. The investment succeeds or fails on the level of demand being sufficient for the developer to obtain a reasonable return on investment.

3.4 Opportunity costs of Highly Productive Land

The development is planned for an area that is classified as highly productive land (HPL). The classification itself does not matter to the economic analysis. What is important is whether the land price fully reflects its value to society. Normally the assumption would be that it does, unless there is some market failure, e.g. there is a public good value of the resource reflecting its strategic importance. This has been used, for example, to classify critically important mineral reserves,[16] and arguably might be used in New Zealand for land producing food for domestic consumptions, such as the former Specified Vegetable Growing Areas (SVGAs) under the NPS Freshwater Management. This does not seem to apply here. The land is used for dairy farming, producing outputs largely for an export market, and in a region with significant areas of similar land. The land is not producing anything of strategic importance.

I suggest the land price is all that needs to be considered to assess its economic value. Dairy land prices are averaging approximately $41,000/ha across New Zealand.[17] If this value represents the lost productive value of the land (the usual economic assumption), loss of the full value for 24.7 ha[18] would only represent a cost of $1 million,[19] a small percentage of the total project costs. This is likely to be an over-estimate of value. The land users are not paying the full costs of their environmental impacts including greenhouse gas emissions and impacts on water quality, and these impacts are not currently affecting market prices.

Land value seems to be already adequately addressed and may be over-estimated.

Tim Heath suggests that the analysis of the project should consider alternative land for the development on the basis that its location (or a that for a different project or projects) would be better on land not classified as HPL. I do not consider this to be a relevant economic consideration. As with the previous comment about the applicant having skin in the game, this is a developer making a market decision with an incentive to maximise profit. Provided that market prices are not distorted, it would be reasonable to expect the developer to have considered the merits of different locations in choosing this site. This will include factors that analysts, including myself, will not have thought of. In a market we would expect the developer to optimise the location choice and for that to be the best option for the community.

[16] https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/minerals-and-petroleum/critical-minerals-list/critical-minerals-list-2025
[17] https://www.reinz.co.nz/Web/Web/News/News-Articles/Market-updates/Jan_2025_Farm_Sales_on_the_Rise_Yet_Prices_Show_Modest_Decline.aspx
[18] See p48 in Colegrave et al (2025)
[19] 24.7 x $41,000 = $1,012,700

3.5 Infrastructure Costs

The argument over infrastructure costs is whether this represents a future liability to the council. This is an important issue, but it is not an economic issue per se. The important issue from the community or societal perspective is whether the project would be viable if the developer faced the full costs of the infrastructure.

The IE report does not provide the data to assess this. The costs of infrastructure are estimated using a 20% multiplier on costs, rather than any site-specific data. Then multipliers are used to estimate GDP contributions that include the wages paid and the equivalent of company profit. The calculation is not explained, but it appears that the infrastructure costs are included in this calculation such that a higher estimate of infrastructure costs would result in a higher estimate of company profit. This is no basis for this critical calculation of whether the infrastructure costs could be paid for fully by the developer. It is an important missing component of the analysis.

3.6 Conclusions

3.6.1 Methodology

I do not believe the methodology used – an EIA to produce estimates of impacts on GDP using multipliers – is appropriate for assessing the regional or national benefits of the project. Project benefits should be assessed using the estimated net benefits to the community after consideration of all relevant opportunity costs, i.e. using a CBA.

3.6.2 Specific Issues

Demand assessments

The issue of whether there is sufficient development capacity or not fails to take account the dynamics of the housing market. Even if the new development represents an over-supply to the market compared to demand at current prices, the impact of the over-supply will be of lower prices so the market can adjust and find a new equilibrium with more people in their own houses. Demand assessments that do not take account of price dynamics are not providing any kind of information about the optimal level of housing supply in the region.

Land Opportunity Costs

The land that would be occupied by the development is classified as Highly Productive Land and is currently used for dairy farming. There appears to be no reason why land price would not reflect the full value of this land. In fact, it is likely to over-value dairy land because it fails to account for environmental effects of dairy farming.

Infrastructure costs

The relevant economic issue is whether the project would be viable if the developer paid the full price of infrastructure. The analysis provided by IE is insufficient to address whether the infrastructure costs could be paid by the developer. This is a critical gap in the analysis.

3.6.3 General comments

In addition to the poor choice of methodology, the analysis provided by IE is highly non-transparent and includes many statements that are not supported by any empirical or other

evidence. I would have expected to have seen a much better explanation of the multipliers and how they have been used. I would also expect to see references for many of the assertions of benefits, including those for the value of retirement villages, solar farms and competition impacts.

Taking account of the methodology choice and the quality of the report provided, if this is the kind of analysis that Fast Track panels are being provided, they are being poorly served.

3.6.4 Significance of the project

Analysing the project against four suggested criteria suggests it shows no evidence of providing significant regional or national benefits.

- The data provided suggest no more than that it will produce a normal profit for the industry.
- It is not using underutilised infrastructure or other resources.
- There is no evidence provided of expected significant spillover effects.
- It is not transformational in the way that major transport, irrigation or major new industry projects might be.